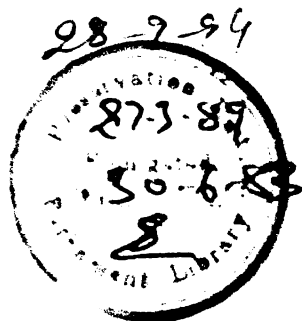


THE
LEGISLATIVE ASSEMBLY DEBATES
(OFFICIAL REPORT)

Vol. VIII, 1933

(20th November to 9th December, 1933)

SIXTH SESSION
OF THE
FOURTH LEGISLATIVE ASSEMBLY
1933.



Legislative Assembly.

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THE HONOURABLE SIR SHANMUKHAM CHETTY, K.C.I.E.

Deputy President :

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Committee on Public Petitions :

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MR. B. SITARAMARAJU, M.L.A.

MR. GAYA PRASAD SINGH, M.L.A.

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MESSLAD

CONTENTS.

VOLUME VIII—20th November to 9th December, 1933.

PAGES.	PAGES.
MONDAY, 20TH NOVEMBER, 1933—	
Point of Order <i>re</i> Validity of the meeting of the Legislative Assembly in New Delhi	1929-31
Members Sworn	1931-33
The Reserve Bank of India Bill—Presentation of the Report of the Joint Committee	1933
The Imperial Bank of India (Amendment) Bill—Presentation of the Report of the Joint Committee	1933
Death of Mr. Vithalbhai Patel	1933-44
TUESDAY, 21ST NOVEMBER, 1933—	
Questions and Answers	1945-92
Unstarred Questions and Answers	1992-2012
Motions for Adjournment <i>re</i> —	
Secretary of State for India's evidence before the Joint Parliamentary Committee <i>re</i> India's right of retaliation in her relationship with the Dominions of the British Empire —Request for leave to be renewed	2013-14
Dumping of Japanese rice in the Indian market—Request for leave to be renewed	2014-16
H. E. the Governor General's assent to Bills	2017
Statement of Business	2017
The Indian Tariff (Second Amendment) Bill—Introduced	2017-18
The Indian Navy (Discipline) Bill—Introduced	2018
Resolution <i>re</i> Ratification of the Silver Agreement—Adopted	2019-40
THURSDAY, 23RD NOVEMBER, 1933—	
Questions and Answers	2041-74
Statements laid on the table	2074-78
The Indian Dock Labourers Bill—Referred to Select Committee	2078-82
Resolution <i>re</i> Non-Ratification and non-acceptance of draft Conventions and Recommendation concerning invalidity, old-age and widows' and orphans' insurance—Adopted	2083-2103
Resolution <i>re</i> Non-Ratification and non-acceptance of draft Convention and Recommendation concerning fee-charging employment agencies—Adopted	2104-10
FRIDAY, THE 24TH NOVEMBER, 1933—	
Statements laid on the table	2111-16
The Indian Tariff (Second Amendment) Bill—Referred to Select Committee	2117-37
MONDAY, 27TH NOVEMBER, 1933—	
Questions and Answers	2139-78
Unstarred Questions and Answers	2178-90
Statements laid on the table	2190-94
The Reserve Bank of India Bill—Discussion on the motions to consider and to recommit to Joint Committee not concluded	2194-2231
TUESDAY, 28TH NOVEMBER, 1933—	
Questions and Answers	2233-62
The Reserve Bank of India Bill—Discussion on the motions to consider and to recommit to Joint Committee not concluded	2263-2300

	PAGES.		PAGES.
WEDNESDAY, 29TH NOVEMBER, 1933—		TUESDAY, 5TH DECEMBER, 1933— <i>contd.</i>	
Questions and Answers ..	2301-2316	The Reserve Bank of India Bill— Discussion on the consideration of clauses not concluded ..	2594-2638
The Indian “Khaddar” (Name Protection) Bill—Presentation of the Report of the Select Committee	2317	WEDNESDAY, 6TH DECEMBER, 1933—	
The Reserve Bank of India Bill— Discussion on the motions to con- sider and to recommit to Joint Committee not concluded ..	2317-67	The Reserve Bank of India Bill— Discussion on the consideration of clauses not concluded ..	2699-96
THURSDAY, 30TH NOVEMBER, 1933—		THURSDAY, 7TH DECEMBER, 1933—	
The Reserve Bank of India Bill— Motion to consider—Adopted	2369-2422	Questions and Answers	2697-2722
FRIDAY, 1ST DECEMBER, 1933—		Motion for Adjournment <i>re</i> Secretary of State for India's evidence before the Joint Parliamentary Com- mittee <i>re</i> India's right of retaliation in her relationship with the Dominions and Colonies of the British Empire—Talked out ..	2722-2758-82
Questions and Answers ..	2423-63	The Reserve Bank of India Bill— Discussion on the consideration of clauses not concluded ..	2723-58
The Indian Tariff (Second Amend- ment) Bill—Presentation of the Report of the Select Committee	2464	FRIDAY, 8TH DECEMBER, 1933—	
The Reserve Bank of India Bill— Discussion on the consideration of clauses not concluded ..	2464-2503	Statements laid on the table ..	2783-90
SATURDAY, 2ND DECEMBER, 1933—		The Reserve Bank of India Bill— Discussion on the consideration of clauses not concluded ..	2791-2844
The Reserve Bank of India Bill— Discussion on the consideration of clauses not concluded ..	2505-55	SATURDAY, 9TH DECEMBER, 1933—	
Statement of Business.	2555	Member Sworn ..	2845
TUESDAY, 5TH DECEMBER, 1933—		The Reserve Bank of India Bill— Discussion on the consideration of clauses not concluded ..	2846-2903-2904
Questions and Answers	2557-69	Statement of Business ..	2903-04
Unstarred Questions and Answers	2569-81		
Short Notice Question and Answer	2582-89		
Statements laid on the table ..	2590-94		
Amendment of Standing Orders— Presentation of the Report of the Select Committee ..	2594		

LEGISLATIVE ASSEMBLY.

Wednesday, 6th December, 1933.

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

THE RESERVE BANK OF INDIA BILL.

Mr. President (The Honourable Sir Shanmukham Chetty): The House will now resume consideration of clause 4 of the Reserve Bank Bill. Amendments numbered 18, 19, 20 and 21 fall according to the verdict given on Mr. Mitra's amendment. Amendment No. 22—Mr. Vidya Sagar Pandya.

Mr. Vidya Sagar Pandya (Madras: Indian Commerce): Sir, I openly congratulate . . .

Mr. President (The Honourable Sir Shanmukham Chetty): Does the Honourable Member move his amendment?

Mr. Vidya Sagar Pandya: Yes, Sir. I beg to move:

"That in sub-clause (1) of clause 4 of the Bill, for the word 'five' the words 'seven and a half' be substituted."

Sir, I openly congratulate the Honourable the Finance Member and the Government upon their great success in getting this House to agree to a Shareholders Bank as against a State Bank as demanded by the Indian public, by a majority of forty-three, though the Government had a majority of only three in the Joint Select Committee. After the acceptance of the constitution of the Reserve Bank of India on a shareholder basis by such an overwhelming majority and even by a majority of non-official elected Members amongst themselves, it is no use tinkering with the Bill and trying to modify it in parts with a view to its working as a State or semi-State Bank. Sir, let the Bank be an alloyed or unalloyed Shareholders Bank to the Government's own liking and let the Government of India take the full responsibility in the matter. Sir, with such an overwhelming and clear majority on the side of the Government, there is no ghost of a chance for any non-official amendments, unless these are approved of by the Government, being carried in this House when the House and the parties and the Members are so much divided and when even several party Leaders openly vote with the Government and against the wishes of the majority of their own party. (Hear, hear.) Under these circumstances, I do not propose to move any of my amendments notice of which I have given. Thus, Sir, I beg leave of the Honourable House to withdraw my this amendment even.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): On a point of order, Sir. Will it be correct for the Honourable Member to authorise any other person to move amendments standing in his name?

Mr. President (The Honourable Sir Shanmukham Chetty): That cannot be done.

Now an amendment has been moved accompanied by a request for leave to withdraw it. The amendment runs:

"That in sub-clause (1) of clause 4 of the Bill, for the word 'five' the words 'seven and a half' be substituted."

Has the Honourable Member the leave of the House to withdraw this amendment?

Several Honourable Members: No, no.

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member has not got the leave of the House to withdraw his amendment.

Mr. S. C. Mitra (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): Sir, the Honourable the Mover of this amendment has moved that the capital of this Central Bank of India should be Rs. 7½ crores instead of five crores of rupees. As he has given no reasons why he wanted to increase the share capital, it is very difficult for us to know how we can meet his arguments. In the Select Committee, he had not placed before us any reasons, nor was it even suggested by the Honourable the Mover of this amendment as to why he wanted to increase the capital. The onus, therefore, lies heavily upon him, particularly he being a member of the Joint Select Committee, for making out a case for his proposition. He did not raise the point there, nor has he given any reasons here for increasing the share capital. I think, therefore, we should oppose this motion.

Sir, in this connection I should like to refer to the point that the Honourable Member has tried to make that because there is no chance of carrying any amendment against the Government opposition in this House, that is a valid argument against our trying to do our best to press forward views that prevail in the country and to bring out what the country wants in connection with the Reserve Bank Bill as it has come out of the Select Committee and how it should now be amended by this House. Sir, it is a commonplace thing in the working of every Constitution that there is the majority party and there is the Opposition which for the time being, is in the minority in this House, of course with this difference that the minority in other countries have their chance of becoming the majority if they can show that they would serve the country's interests better. Our Constitution, however, is unalterable, and, therefore, whether we are in the majority or in the minority, we must always be in opposition. But still I think it is the bounden duty of this Opposition to press forward everything that is for the best interests of the country according to their view and to try at any rate to influence the attitude of the Government. To take the familiar example of the British House of Commons, we know that the Labour Party, which forms the Opposition, is composed of about 50 members, with ten times their

number forming the Treasury Benches and their supporters; but, yet, on all important occasions, as His Majesty's Opposition, they think it their duty not only to put forward their views, but also to divide the whole House and to put on record their side of the case. Here also, I think, we owe it to our constituency that whatever we consider to be in the best interests of the country and whatever we consider to be their views, we should put on record in this House. I know, there are Members who really think that nothing can be gained even by putting forward their views, and for them, if they think it is all useless, certainly it is better to resign and go back; but in the case of all those who seriously take any part in the work of the Legislature, I think constitutionally, morally and honestly they should try their best to put forth their views for the consideration of the Government even though they cannot carry the House with them. Sir, with these words, I oppose the amendment.

Mr. Amar Nath Dutt (Burdwan Division: Non-Muhammadian Rural): Sir, I cannot support the amendment which my Honourable friend has just now moved, for I do not know the reasons which led him to put forward an amendment like that. To move an amendment and then immediately to ask for leave to withdraw it after saying something about the voting strength of this House was not, I think, relevant. But as he has introduced that matter with respect to this amendment, I beg to submit that he need not have been so disheartened as he seemed to be that the voting strength is overwhelmingly on the other side. Now, Sir, if we eliminate the 26 official Members who are bound to vote for the official Bill and the 14 other nominated Members, who are pledged also to support the Government (*Cries of "No, no" from the Official Benches*), I beg to submit that the voting majority in this case will be reduced from 48 to 3. So, it is not an overwhelming majority and, if we take into consideration the presence of our friends of the European Group and also some of the habitual supporters of the Government, then I think we can claim that we really have an elected majority in the matter. Under the circumstances, I think the only possible gain that we can have by tabling an amendment, although I have tabled none, is to place before this House our views about certain clauses of the Bill. If we do it and if we try our best to impress upon the Government what our views are about this Bill, I think we all have done our duty towards ourselves as well as towards the Government and the country. In that, we should not fail and I submit that the proposal for the withdrawal of the amendment was not supported by us for that very reason. With these words, I oppose the amendment.

Mr. M. Maswood Ahmad (Patna and Chota Nagpur *cum* Orissa: Muhammadian): Sir, I am very sorry that my Honourable friend, Mr. Vidya Sagar Pandya, has moved this amendment and at the same time he wants to withdraw it. This has made our position a little weaker no doubt. I request him, Sir, not to be disheartened and to join hand with us for the benefit of the Motherland.

I am sorry that I do not agree with Mr. Mitra because he has opposed the amendment. I think it would have been better for him to allow him to withdraw his amendment if he was against this amendment. But when he said that he would not allow Mr. Pandya to withdraw his amendment, then he ought to have supported it. I do not understand his position at all.

Mr. S. O. Mitra: I said that the amendment was not moved by Mr. Pandya in the Select Committee nor did he give any reason why he did not move it.

Mr. M. Maswood Ahmad: Very well, Sir. If there were sufficient reasons for opposing the amendment, it was better for Mr. Mitra to allow my Honourable friend from Madras to withdraw it.

Mr. S. O. Mitra: That point I have also explained in my speech.

Mr. M. Maswood Ahmad: Sir, now I leave the explanation which did not convince me. In this connection I wish to say a few words. There is no doubt that, from amongst the Indian elected Members, 33 voted against the Government and only 28 elected Indian Members voted with the Government and I hope my Honourable friend, Sir Lancelot Graham, will not contradict this statement of mine.

Though my friend, Mr. Pandya, did not say a single word in support of 7½ crores, I support his amendment, the reason being that you will find from my amendment No. 27 that it proposes to create new registers in Karachi, Lahore, Patna and Cawnpore. For that purpose it will be necessary to increase the amount from five crores to 7½ crores. I do not desire to say anything at this stage as to why I propose to increase the number of registers, as I wish to deal with that subject when my amendment is moved. But I must say now that an increase in the capital is very essential. If these new registers are created, then certainly more shares will be required for these registers as our Bombay and Calcutta friends may not like to reduce their shares which are about Rs. 1,40,00,000 and Rs. 1,45,00,000, respectively. It is for this reason especially that I support this amendment.

In this connection, Sir, I would like to warn the Muslim Members who have voted with the Government and I request them to support us in this matter. I would very much like to know from them what is Government going to do for them that they are blindly supporting them in such vital questions. I want to know whether they have got any assurance from the Government that one of the Deputy Governors will be a Muslim. If they maintain that this question cannot be raised, then let me tell them that my Honourable friend, the Finance Member, has admitted this much that at least one Indian will be one of the Deputy Governors. When this announcement was possible to make, was it not possible for him to say that one of the Deputy Governors would be a Muslim or a member of the minority communities. I want to know from the Muslim supporters of the Government whether they have received any assurance from the Government that the Muslims will have any seat on the Directorate? No such assurance has been given by the Government up till now. I want to know from them if they have received any assurance from the Local Governments that on the local boards Muslims will get their representation.

Mr. President (The Honourable Sir Shammukham Chetty): The Honourable Member had better settle that question in its proper place. He may now confine himself to the capital of the Bank.

Mr. M. Maswood Ahmad: Sir, I am only warning my friends that they may not oppose me and support the Government blindly in this amendment. I want to remind them that they have not got any assurance from the Government for Muslims. That being the case, why are they so blindly supporting the Government? They are not gaining anything from the Government for their support. Therefore, they must support us on this question as it is very necessary that the amount should be increased from five crores to $7\frac{1}{2}$ crores, so that it may be distributed on the registers which will be created.

Sir Cowasji Jehangir (Bombay City: Non-Muhammadian Urban): Sir, the amendment moved by my Honourable friend is to raise the share capital from five to $7\frac{1}{2}$ crores and it is not such a simple matter as some of my Honourable friends seem to imagine. Surplus capital is always a dangerous thing for any company. If the Reserve Bank could utilise $7\frac{1}{2}$ crores with benefit to itself and to its shareholders and to Government, who are to share its profits, nobody would have the slightest objection, but it is doubtful if this $7\frac{1}{2}$ crores could be utilised with any benefit. If my Honourable friends have moved this amendment or have supported it merely with the object of fulfilling the desire of some Members of this House to have a larger share capital allotted to their provinces, may I respectfully point out to them that it is not a very good reason. If they so desire and if they think that their provinces can subscribe to a larger amount of capital than has been laid down in the Bill, let them move for a larger portion of the capital. If they think that it is unfair to give Bengal, with all the other provinces included in that register, one crore and 45 lakhs, let them move for its reduction. If they consider that Bombay should not get one crore and 40 lakhs, let them move for the reduction. Personally, let me tell my Honourable friends that I attach very little value to the amounts assigned to these registers, because there is going to be a transfer of shares from one register to another and if one register is not able to hold the full amount allotted to it, it is bound to go to another register. You cannot help it. It is like trying to keep water in a place where the levels are against it; it must flow away unless you dam it and we are not going to dam the share capital in any way in this Bill. Under the circumstances, I do not think the object will be fulfilled and I would urge Honourable Members not to overload this Bank with unnecessary capital and reduce the chances of the Bank making a reasonable profit.

The Honourable Sir George Schuster (Finance Member): Sir, I have no objection to my Honourable friend withdrawing this amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (1) of clause 4 of the Bill, for the word 'five' the words 'seven and a half' be substituted."

The motion was negatived.

Mr. B. Sitaramaraju (Ganjam cum Vizagapatam: Non-Muhammadian Rural): There is another amendment to the same effect in the name of my Honourable friend, Raja Bahadur Krishnamachariar, who is the Leader of an important Group, and I understand that he intends to move that amendment. Therefore, I do not propose to move my amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member cannot make it as a condition.

Mr. B. Sitaramaraju: I understand he is going to move it and, therefore, I am not moving my amendment*.

Raja Bahadur G. Krishnamachariar (Tanjore *cum* Trichinopoly: Non-Muhammadan Rural): I think it will come in my time.

Mr. Amar Nath Dutt: Now is your time.

Dr. Ziauddin Ahmad: The only question is whether this particular proviso should be added to sub-clause (1) or sub-clause (3). I think sub-clause (3) would be a more suitable place.

Mr. President (The Honourable Sir Shanmukham Chetty): That is perfectly immaterial to the question. It is open to an Honourable Member who has tabled an amendment to get up and say that he does not want to move it.

Raja Bahadur G. Krishnamachariar: May I move my amendment now?

Mr. President (The Honourable Sir Shanmukham Chetty): No. In his turn the Honourable Member can move it.

Mr. Bhuput Sing (Bihar and Orissa: Landholders): Sir, I beg to move:

"That at the end of sub-clause (1) of clause 4 of the Bill, the following be inserted:

'but the Government shall have the right to buy up all shares of the Bank at any time after the lapse of fifteen years from the date of opening of the Bank'."

Sir, this is a very simple provision and it is nothing new here. It only allows the State to purchase shares after the lapse of 15 years and this is not a new principle that is being introduced in India. There are many Central Banks on the Continent of Europe where such a principle does exist. I can quote some of the relevant clauses of some of the Banks to show that such a provision does exist. I shall take the case of the Austrian Bank. In the Federal Bank of Austria:

"The Federal Government is, with sanction of Legislature entitled to take over business of Bank at its real value in event of expiry of privilege, loss of privilege, or liquidation before expiration of privilege."

Then, take the case of Czechoslovakia:

"If Charter expires State has right to take over entire assets with liabilities or only a part of them."

Similar provisions do exist in the case of Danzig, Denmark, Estonia, Germany, Hungary, Lithuania, Poland and several other Banks. I need not go into the Charters of these Banks. My intention is that if the Bank is not run properly, then the State should come and take over the shares from the public. Supposing the Bank is not run in the interests of the country and supposing the credit and the currency policy is not properly managed, then it is the duty of the State to take over the shares. Now, the Bank may conduct such a business without violating the provisions of the Act, but its policy may be detrimental to the interests of the country. In that case, it is the duty of every State to take the management of the Bank. This is

* "That at the end of sub-clause (1) of clause 4 of the Bill, the words and figures 'and 75 per cent. of the paid up capital shall be held by nationals' be inserted."

only a permissive clause and it does not ask the State compulsorily to take over the shares after 15 years. The Government should accept this provision in the Statute. They may say that the Legislature or the Government have inherent rights to take over shares any time they like. But, I submit, no harm will be done in having a clause like this in the Bill. With these words, I move my amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That at the end of sub-clause (1) of clause 4 of the Bill, the following be inserted:

"but the Government shall have the right to buy up all shares of the Bank at any time after the lapse of fifteen years from the date of opening of the Bank'."

Raja Bahadur G. Krishnamachariar: Sir, after having agreed to a Shareholders Bank yesterday, I am not sure how this condition would work, but, at the same time, I do feel that it is just possible that the danger pointed out by my Honourable friend, Mr. Aggarwal, may come into existence. It seems to me, however, instead of putting this proviso and taking a leap into the unknown, it would be a much better thing if my Honourable friend would agree to move an amendment to sub-clause (4) of clause 1 by saying that this Act shall remain in force for a period of 15 years instead of 25 years. Even if my Honourable friend's amendment is accepted, we cannot do anything at present. It is only after 15 years, we can sit down and see what to do and what not to do, whether the Act conforms to what we consider to be the proper method or whether something else has to be put down. If that is the only object of the amendment, as I consider it is, then, I submit, the same object will be achieved by the amendment to sub-clause (4) of clause 1 as I indicated, leaving the position to work itself for the next 15 years according to the scheme of the Shareholders Bill undisturbed by any trouble as to what may happen after 15 years, whether Government are going to purchase the shares and all that sort of thing. I would request my Honourable friend to see if he cannot accept my suggestion and withdraw his amendment leaving him to move the amendment I suggested to sub-clause (4) of clause 1 at the proper time.

Mr. Muhammad Achar Ali (Lucknow and Fyzabad Divisions: Muhammadan Rural): Sir, those of us who support the State Bank and have given elaborate reasons for the same for some days here and also those of us who find that there is nothing in this Bill to provide any relief for the agriculturists or the landlords or to any of those who hold property in this country, consider that this period of 15 years is a very long period for this Act to come to an end. This clause, moved as an amendment by my Honourable friend, will provide a source or a principle for this House or for the future House to amend this Act and, at the same time, for the Government to acquire the Bank. Whether this Bank fails or whether the country does not like the Bank in its present condition, after 15 years, I think they would at least have sufficient experience. It will enable the Government too to have the right, if circumstances justify, to turn this Bank into a State Bank. I support the amendment.

Mr. Muhammad Yamin Khan (Agra Division: Muhammadan Rural): Sir, we had a long discussion about this in the Committee . . .

Mr. Gaya Prasad Singh (Muzaffarpur cum Champaran: Non-Muhammadan): Which Committee? London Committee?

Mr. Muhammad Yamin Khan: No, the Committee of which you were also a member. It looks rather difficult to press this point every time when we have already, by a huge majority, adopted the scheme of a Shareholders Bank and not a State Bank, and it is curious that we should bring in a device to deprive the shareholders of the benefit which may accrue to them later on, and by this amendment my friend only intends that the shareholders, who will subscribe to this Bank, should be only the money-lenders who can invest their amounts for a particular period. But if the desire is that the shares may be held by the poor people and the agriculturists, then they must have a security so that after a short period they may not be deprived of the benefit for the money which they have invested. No company can be started for a shorter period and if it is started to end after a few years, the people, who will subscribe to that company, will think twice before they put their money there. The House decided by its vote yesterday that the Bank should be a Shareholders Bank, which means that the money should be subscribed by the people of India and not by a few rich people who want to use it for a shorter period. Of course, money-lenders can advance for a shorter period, but if you want to induce poorer people like agriculturists and clerks in the Secretariat to invest their money, then they must have some security and some knowledge that their money is secure and that they will not suffer after a few years. He must get the same advantage as an ordinary man purchasing a share in an ordinary company would get. This amendment is a new device to reopen, after 15 years, the question whether it should be a State Bank or a Shareholders Bank. And then who will decide this question? If Government make some money, then you should not deprive the shareholders of the chance of investing their money. If there is more profit, on account of their money, then they must not be deprived of it without their consent, because they will not be represented and will not have any voice. The shareholders will not come up here and argue their point. It will not be the people of India, but the Government of India who will decide their fate. It may be said that this House will be representative of the people, but the Members of this House will not come here on the specific question whether there should be a State Bank or whether they should vote for a Shareholders Bank. There will be only a few people; in the whole of India there will be one lakh shareholders who will get the vote and this one lakh cannot exercise sufficient influence on the Members of this House who will come from different places to decide their fate. I do not think it will be treating the future shareholders properly if we say that after a certain period Government should buy back all those shares, because these people will have no voice in deciding their own fate and they cannot argue their case.

One point may be advanced that, if this Bank is not working properly, why should it not be a State Bank? It will become a State Bank, because there is a provision already in this Bill which gives ample power to Government that, if the Bank fails to perform its functions, the Governor General will take back the whole management and it will be wound up. And I do not think it will be treating the poorer people of India fairly to place their fate in the hands of the future Government or even in the hands of the future Legislature who will not be coming and seeking their election on this direct issue. Therefore, I oppose this amendment.

Mr. Muhammad Anwar-ul-Azim (Chittagong Division: Muhammadan Rural): Sir, I am grateful to you for affording me this opportunity of speaking on this amendment. It seems to me that we are very forgetful of

events that are happening here on the floor of this Assembly, and that is why I am now on my legs. I am neither here to say anything in reply to what has fallen from my esteemed friend, the present Secretary of the All-India Muslim League, of which I am one of the Vice-Presidents, nor am I questioning the propriety of the Leader of the Independent Party, losing his temper in the course of a debate in this House, nor am I to criticise my friend, Mr. Bhuput Sing, whether this amendment is rightly put and rightly couched. So far as this amendment is concerned, perhaps my friend, Mr. Bhuput Sing, and others feel that, after this Bill is passed, perhaps the door is slammed against them. But I can assure him that if he had taken a little trouble to go through the severe cross-examination to which the present Secretary of State for India was put by the Joint Select Committee in London, he would find there the strong commitments, on behalf of the Government of England, that this Assembly or the Assembly that will be coming in the future will have the power of moving Resolutions in order to influence the decisions of the Governor General in Council in important matters. Therefore, why should my friends on my right lose heart? Besides, it is also apparent from the trend of the examination by my esteemed friend, the Leader of the Independent Party (Sir Abdur Rahim), that the people will not be penalised in any way and that no newspaper will be penalised if they started an agitation over the wrong exercise of that discretion of the Governor General in Council which will be given to him under the particular instrument. If so, many things are available at the disposal of my friends on my right who are so anxious for a State Bank, and they should not lose heart and should not come with so many amendments which are likely to defer our decision on this matter.

Dr. Ziauddin Ahmad: Sir, I frankly admit that we were defeated yesterday on the question of Shareholders *versus* State Bank and we should now have our discussion and make every effort that a few capitalists should not monopolise the Bank. I entirely agree with Mr. Ranga Iyer and differ from my friend, Mr. Neogy, that the country was unanimous in demanding a State Bank. No doubt the country is divided, but the principle of division is very different. The dividing line is really the four walls of this building: public opinion outside this Assembly Chamber is overwhelmingly in favour of a State Bank. (*An Honourable Member*: "Question".) But it has been proved that public opinion, as represented in this Assembly, is also overwhelmingly in favour of a Shareholders Bank. So we should take the scheme of shareholder. We on this side have been advancing arguments only on the question of Shareholders *versus* State Bank; but we have not examined the scheme of a Shareholders Bank as it is presented to us. I say that the scheme, as it is now before us, is one that is open to very grave doubts, and I am not certain whether it is constitutionally correct. It is a general principle in any theory that if you establish one case in which a thing cannot work, then the scheme is wrong. I am now going to give you a case in which it may be impossible to establish a Board of Directors or the local boards in any way. Suppose five lakhs of persons apply for a share, each of Rs. 100—I appeal to my two Honourable friends opposite, for it is for them to consider it particularly—I say the theory you are now advancing is mathematically wrong and I am going to prove it. . . .

The Honourable Sir George Schuster: My Honourable friend surely should address the Chair and not me on the subject.

Dr. Ziauddin Ahmad: I always address the Members through the Chair and not directly. I say, supposing five lakhs of persons apply for one share each of Rs. 100, none of these persons will have the right to vote or attend any meeting; and so there cannot be a meeting of the local or Central Boards, and consequently there can be no election of Directors. I say this possibility can arise. . . .

Mr. Muhammad Yamin Khan: Will there be nobody in the whole of India who will apply for five shares and pay Rs. 500?

Sir Cowasji Jehangir: Before my Honourable friend goes any further, may I appeal to him to read the Bill, because if he had read the Bill he would not have made these remarks. (Interruptions.)

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member should not give way so easily.

Dr. Ziauddin Ahmad: The value of a share is Rs. 100; and suppose there are five lakhs of persons asking for one share each, and nobody is willing to purchase more than one share and invest more than Rs. 100. . .

Mr. B. B. Puri (West Punjab: Non-Muhammadan): May I know which particular part of the Bill Sir Cowasji Jehangir was referring to?

Mr. President (The Honourable Sir Shanmukham Chetty): It is Dr. Ziauddin Ahmad who is speaking now.

Dr. Ziauddin Ahmad: I shall take a hypothetical example. When you make a law, you have to provide for hypothetical cases also, and my hypothetical case is this: suppose five lakhs of persons apply for one share each and none of them is willing to spare more money, then how are you going to allot the shares and how is an election to take place? In that case, the whole scheme will fail. . . .

Mr. M. Maswood Ahmad: Each European will apply for five shares in all the five circles.

Dr. Ziauddin Ahmad: I am not speaking of any particular community: when a law is enacted, it must be made to cover all possible cases that might arise; and this is a possible case, though I admit it is not probable: still we must make provision for such cases. . . .

Mr. President (The Honourable Sir Shanmukham Chetty): What happens if nobody applies for shares?

Dr. Ziauddin Ahmad: That was my first objection. . . .

Raja Bahadur G. Krishnamachariar: I apply for five shares and have the Bank entirely under my control.

Dr. Ziauddin Ahmad: The other question that might possibly arise is the one that the Honourable Mr. President himself has suggested: suppose no one applies for shares; in that case also the machinery will be penalised. For these exceptional cases, I think, there ought to be some provision, so that the law may not be defective.

The second point is this: I shall criticise the scheme as a whole first and then I will come to the specific points. I say it is not really the principle of democracy that we are introducing by this Bill, but the principle of oligarchy and I am going to give you certain figures. . . .

The Honourable Sir Brojendra Mitter (Law Member): Invite Professor Einstein to solve these problems.

Dr. Ziauddin Ahmad: Since the Members on the Treasury Benches are competent to do everything, they are also quite competent to take the part of Einstein or of any other Professor or Scientist. I now take an example. At Rs. 100 a share, there are five lakhs of shares. Out of these 5,00,000, there is bound to be some wastage: that is any person holding less than five shares will not have a vote: persons having seven or eight shares will have only one vote for the five shares and no vote for the remaining two or three: so there will be some kind of wastage on account of people purchasing shares not in exact multiples of five, but in sub-multiples. I calculate that we may safely put down this figure of wastage at 25 per cent: so, out of these 5,00,000 shares, only persons having five shares each will have a vote: and, allowing for wastage, as I have indicated above, to the extent of 25 per cent. it leaves us with 75,000 voters. Then comes the question of plurality of votes. The maximum number of votes a shareholder can have is 10, and persons having more than 50 shares cannot have more than 10 votes. On account of this thing, I put down the approximate value of votes to be five and, therefore, only 15,000 persons will really be available for votes. Out of this 15,000, let us see how many will really vote: it is our experience that more than 20 per cent of the total amount of votes will never come forward and give a vote either by means of proxy or by other methods. So we get 20 per cent of this 15,000, that is to say, the number of votes really available will only be 3,000. Now, this 3,000 will be distributed among five centres and, therefore, there will be only 600 persons in each area who will come forward and vote: and this is what is called liberalisation and nationalisation, which will be limited to the votes of 600 persons in each area. I say, if the number of actual voters in each area is deducted to 600 persons then can you really call it Indianisation or you may say that the whole thing is liberalised. Sir, these things really ought to have been worked out by the Finance Department, but my experience is not only of this, but of other proposals relating to customs and tariff, etc., that this Department is the most unscientific Department in the Government of India. They have got the figures, but they are never able to substantiate their assertions by scientific arguments. The whole scheme, as is laid before us, is open to very serious criticism and it requires very detailed consideration. Though, no doubt, we are defeated, I must say that we are going to work out the shareholders' scheme and give it a trial. The present proposal is that we should give a time limit. What we say is that should Government find, after a period of, say, 15 years, that the scheme is failing, they should have the option to purchase these shares. It does

[Dr. Ziauddin Ahmad:]

not follow that they should do it, but we want to give them the option to do it. My friend, Mr. Yamin Khan, suggested that we would be doing a great injustice to the poor people, if we buy these shares. This reminds me of the conception of poverty by the Emperor Bahadur Shah. There was a great famine in Delhi at one time and the King was approached for help, and he said that the poor people would at least have a dish of *pulao*

.....

Raja Bahadur G. Krishnamachariar: Not *pulao*, but *khichdi*.

Dr. Ziauddin Ahmad: Very well, we will say *khichdi*,—that was really the lowest conception of extreme poverty. That is to say, a person who has only one dish of *khichdi* is a very poor man. So my friend thinks that a man who can afford to purchase a share of Rs. 100 is a poor person, but I think a man who is in a position to purchase a share of Rs. 100 cannot be included in the category of a poor man, because though he cannot be called rich, he certainly can't be put in the category of a poor man in this country; he will be a middle class man, because poor people will never have Rs. 100 to invest on a share of this kind. The other point is, we have got short term loans here already. The Government have floated a loan which can be payable at any time between 1929 and 1947, and the option is always left to Government and everybody will see that Government may or may not be

Mr. Muhammad Yamin Khan: Is my Honourable friend aware that the agriculturists have invested their money in these short term loans? Is my friend aware of the fact that a large number of agriculturists have subscribed for these short term loans?

Dr. Ziauddin Ahmad: I started with that assumption, any way, I say, if you can tell these people, whether, rich, middle class or poor, if you can tell these people beforehand about this option, that the amount may be paid back at any time after an interval of 15 years, there is no injustice done. The Bill already provides for a period and it is 25 years. This particular provision gives the option to purchase it at any time between 15 and 25 years, and this is not contrary to the practice followed by the Government of India in raising their loans.

Before I sit down, Sir,—this is the first time I have spoken after eight days,—I should like to reply to a charge that was levied on the floor of the House against me on the question of the Ottawa Agreement. People said that I had changed my mind in connection with the Ottawa Agreement

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The Honourable Sir Brojendra Mitter: The Ottawa Agreement is hardly relevant to the present question.

Dr. Ziauddin Ahmad: It is not relevant, I know, but since I was accused on the floor of the House of having changed my mind, I should merely like to reply to that accusation. Sir, I don't see that there is any harm in changing one's opinions. People do change their opinions, and I have changed my opinion, and I will not hesitate to change my opinion if strong

arguments are given and circumstances change. At the same time, if I change my opinion, I will certainly publicly give the arguments and reasons as to why I have changed my opinion; but if a person changes his opinion in the same way as a person changes his clothes, then, of course, it is objectionable. Persons may change their opinions, and it is their duty, for the guidance of the public to give reasons in plain words as to why they changed their opinion. But if a man changes his opinion without giving any reasons for so doing, that is of course very unjustifiable, and this is the objection.

In the first place, I mention that I never opposed the Ottawa Agreement, I myself moved a reference to Select Committee. In the Committee I was convinced that that was really for the benefit of India, and I still say that it has proved beneficial to India, though not to the extent we had expected. Now, that it has proved beneficial is proved from the figures

Mr. President (The Honourable Sir Shanmukham Chetty): Certainly, the figures relating to the trade of India with Great Britain are not relevant to this particular amendment. The Honourable Member must know that.

Dr. Ziauddin Ahmad: Very well, Sir, I shall not give any detailed arguments about this Ottawa Agreement, but I would like to mention that our balance of trade began to improve after the Ottawa Agreement, although the expectations that we made were not realised for two reasons. In the first place, the Government gave up the Ottawa Agreement and took up an all-world problem of economic depression, and, secondly, our trade figures are not the same now as they were in 1929. These are really the points that I want to mention, and I say clearly that there is absolutely no harm to change one's opinion provided the man puts down, for the benefit of the public, the reasons as to why he has changed his opinion in clear and unambiguous terms. With these words, Sir, I support the motion.

Mr. B. Sitaramaraju: Sir, some of us on this side of the House attach very great importance to a provision in this Bill which would enable the Government at any time to purchase these shares. In pressing that point of view, it is not my desire to revive the controversy we have had for four or five days on the question whether we should have a State Bank or a Shareholders Bank. Just now my friend, the Leader of the United India Party, has given his thoughts on this question again, but I would invite him and those of his way of thinking to the very weighty words uttered by the Honourable the Finance Member in closing that controversy. He stated that there was a good deal to be said on both sides of the question. He never denied that, but according to him, under present circumstances, it is necessary to have a Shareholders Bank. The verdict of the
12 Noon. House supported his point of view. I am not in any way influenced by the counsel of despair, or, if I may say so, by the despair of age of my Honourable friend, Mr. Vidya Sagar Pandya. I have always the confidence of youth, not for the results that we may or may not achieve on the floor of this House, but for the consciousness that I have done at least my duty on the floor of the House and hope that good may, however, come out of evil. I do not care whether it is shared by other Members of the House or not, but I have that consolation. It is not to revive that controversy that I have got up to speak on this amendment.

[Mr. B. Sitaramaraju.]

As I have said at the very beginning, I attach very great importance to a proviso in this Bill that it should be left to the State at any time to purchase the shares back. Lower in the Order Paper, there is an amendment standing in my name which does not give the latitude which my Honourable friend, Mr. Bhuput Sing's amendment gives. His amendment is to the effect that it should be open to the State to purchase the shares back after 15 years. I was not prepared to go even so far as that. I thought that the State should have at any time the right to purchase those shares. I am not unmindful of the remark made by my Honourable friend, Mr. Yamin Khan, the Leader of the United India Group, but I would invite his attention to the fact that this is not an ordinary joint stock bank or company that they are opening. It is to be a national institution where every national has got a right to know as to how it is working and take it up when they deem fit. The nation can never have a better agency, a Government responsible to them. I venture to submit, therefore, that if, at any time, it is considered best in the interests of the country that the Legislature should influence the future Government of the country to take back the shares, they should have the right to do so. After all, my Honourable friend, Mr. Yamin Khan's argument could not hold much water if he remembers that this Bill is for a period of twenty-five years. After twenty-five years, it is quite competent for this House to repeal it.

Mr. Bhuput Sing: Not for a period of 25 years only. The sub-clause says:

"... for a period of twenty-five years and thereafter until repealed."

Mr. B. Sitaramaraju: That will come up before the House. When there is a provision for 25 years, then it must come up after 25 years for consideration.

An Honourable Member: How?

Mr. Bhuput Sing: No, no. The sub-clause is:

"twenty five years and thereafter until repealed."

Mr. B. Sitaramaraju: The question of repeal will come after 25 years.

Some Honourable Members: No no.

Mr. B. Sitaramaraju: Then, the very simple remedy is to change that portion of the Bill. I think my Honourable friend, Mr. Ramaswami Mudaliar, has got an amendment to that effect and it is that amendment that has misled me to think that this Bill cannot go beyond 25 years without our consent. Therefore, what my Honourable friend says is quite true. That is a matter in which we have to bestow a little more care to see how that provision should be suitably modified. But there is another point, and I would particularly ask my Honourable friends to pay a little more attention to it, and it is that, even under the provisions of this Bill, there is a clause under which the Government can supersede this Bank. They have got a provision to that effect,—clause 30. We, who know how the powers vested in the Government to supersede are really acted upon, we, who know something of municipal administration, we who know something of the local board administration,—we know how those powers of supersession are always applied. There is no appellate authority over the decision which

the Government may take under that provision. It gives large powers of discretion to the Government to supersede the Bank. Therefore, considering the fact that this proviso only says that if the Government deem it fit it should be competent to them to do so, considering the powers we are already going to give them, considering the great controversy that has been raised over this question and the probability that, after all, those who are today in a minority may be right and those who are in the majority today may be wrong, considering also various other circumstances that may have to come into play as time goes on. I think that the amendment which my Honourable friend, Mr. Bhuput Sing, is moving is not such a great concession which he would demand from those who are fortunately circumstanced today to be in a majority. I think, therefore, that this proviso to which we attach very great importance should be given due consideration by the House.

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member may formally move amendment No. 26 that stands in his name, so that the discussion will be on both the amendments.

Mr. B. Sitaramaraja: Sir, I beg to move:

"That to sub-clause (1) of clause 4 of the Bill, the following proviso be added: 'Provided that it shall be competent to the Governor General in Council at any time to purchase the shares at par'."

Mr. President (The Honourable Sir Shanmukham Chetty): Further amendment moved:

"That to sub-clause (1) of clause 4 of the Bill, the following proviso be added: 'Provided that it shall be competent to the Governor General in Council at any time to purchase the shares at par'."

The House will now discuss the amendment of Mr. Bhuput Sing and also that of Mr. Sitaramaraju.

Mr. Muhammad Yamin Khan: May I say on a point of order that the discussion which has taken place on Mr. Bhuput Sing's amendment has already been to some extent exhausted? Mr. Sitaramaraju's amendment goes much farther than Mr. Bhuput Sing's amendment. Mr. Bhuput Sing's amendment gives a 15-year period, while Mr. Raju's amendment says, "at any time". There is another thing. Mr. Bhuput Sing's amendment does not say that the shares should be purchased at par, while Mr. Raju's amendment says they must be purchased at par, which is a totally different thing. If the Government want to purchase after 15 years

Mr. President (The Honourable Sir Shanmukham Chetty): What is the Honourable Member's point of order? If the Honourable Member, who has already taken part in the discussion on Mr. Bhuput Sing's amendment, wants to add a few more words because of this further amendment, the Chair will allow him to do so.

Mr. Muhammad Yamin Khan: That is what I was telling.

Mr. B. S. Sarma (Nominated Non-Official): After the speech of the Leader of my Party explaining the attitude which the Centre Party would take on this amendment, I thought that there would have been no need for me to speak, and I certainly would not have intervened had it not been

[Mr. R. S. Sarma.]

for the provoking—I won't call it thought-provoking, (Laughter) but provoking—speech of the Leader of the United India Party. He said as his first reason that the principle, that there should be a shareholders' scheme of Reserve Bank, has been accepted in this House by a huge majority and, therefore, for all practical purposes that should not be discussed again, because we are committed to that scheme. That argument is neither relevant on this issue nor is it one which will appeal to any Member of this House in taking a decision on this matter, because I will put it to him very clearly that if there is a motion from the official side today that all the Members of the Legislative Assembly should commit suicide, I am sure, it will be passed by a huge majority in this House. (Laughter.) That does not affect us or appeal to us. But what I say is that there are other considerations why, as my Leader pointed out, this amendment would not get the support of the Centre Party. This House will remember—I may say that with a certain amount of pardonable pride—that the first suggestion of an alternate plan like this, that as a compromise between those who hold that a Shareholders Bank is the best, and those who think to the contrary, there should be some provision in the Bill empowering the State to purchase the shares, came from me in the speech which I delivered when this Bill was under consideration during the Simla Session.

Mr. K. C. Neogy (Dacca Division: Non-Muhammadan Rural): This point was referred to in the Select Committee's Report.

Mr. R. S. Sarma: Long before that. When this Bill was considered during the Simla Session after it was introduced there.

Dr. Ziauddin Ahmad: I remember that.

Mr. R. S. Sarma: Therefore, we are committed in principle to a policy like that, not on the arguments which Mr. Yamin Khan has just now adduced that the shareholders will suffer, that it is a novel thing and that there will be nobody to look after the interests of the shareholders then.

In the first place it was not at all novel, because, in all the railway shareholders agreements, there is always this provision that the State can buy after a particular time and with regard to the interests of the shareholders going by default even before the actual shareholders come into existence, we find champions advocating their cause, and when there are actual shareholders, there will be plenty of men who will look after their interests much better and much more sincerely than Mr. Yamin Khan. If we are against this amendment, the reason is this. If the suggestion of my Leader is accepted, namely, that this could with utility and better effect be moved as an amendment to clause 1, namely, that the charter should be only for a period of 15 years, it will cover a wider area and we thought that it would be a more acceptable amendment and better in principle. It is for those reasons that we thought of opposing this amendment on behalf of our Party.

Sardar Sant Singh (West Punjab: Sikh): Sir, I support this amendment of my Honourable friend, Mr. Bhuput Singh, and I support it on three grounds. The first is, that it is the compromise between the State Bank and the Shareholders Bank. Secondly, it will give us an experience

of the working of the Bank for a sufficiently long period. During this time we can certainly form our opinion whether the Reserve Bank has been kept free from political influence or not, and, thirdly, because this will give a notice to the shareholders from this time that the power is vested in the State to purchase their shares and they will not be able to claim compensation if the shares are purchased after the lapse of this period.

Now, as I pointed out in my speech yesterday, I am in favour of the Shareholders Bank provided I am assured that it will be free from political influence of all sorts. Herein is given a period during which India will have to judge for herself whether Whitehall or the City of London has or has not been interfering in the working of the Bank. We in India are peculiarly situated. We have bitter experience of the past that our monetary policy has not been worked solely in the interests of India and we are naturally anxious that in future the monetary policy of India should be worked in the interests of India alone and not in the interests of Great Britain or any other dominion. In this connection I think it is desirable that such a provision should exist in the Bill itself. My friend, Mr. Yamin Khan, expressed apprehension on behalf of the shareholders saying that those poor agriculturists, who will subscribe to the shares of the Bank, will not subscribe to it if they know that the period is not long enough for investing their money. My friend has probably forgotten that this Bank is not a profit making Bank. The maximum dividend is six per cent. and, even after the dissolution of the Bank, the shareholders cannot get any profit beyond a certain limit which is prescribed in the Bill itself. There is no reason for him to fear that the poor investor will be deprived of his just right after 15 years. I think the maximum that you can get under the Bill will be earned by the fifteenth year and, beyond that, they cannot go. The value of the shares will not go higher. Therefore, there can be no fear on that score. The second argument that he gave as to there being a provision in the Bill, the liquidation provision, which empowers the Governor General to take over the Bank's affairs in case the Bank is not working properly is not sound. The liquidation provision, my friend forgets, is a provision which will only be enforced when the Bank begins to totter. It would not be brought into use so long as the Bank is working properly. What we want is that, if the Bank is working properly and the credit and currency policy of the money market is being co-ordinated in the interests of India, there is no reason to suppose why any Government, which may be in power then, should try to purchase the shares. After all, it is a permissive amendment only. It is not a peremptory amendment. The Government of the day need not purchase the shares, but, in case the policy of the Bank goes wrong, the Government of the day, without any sanction from the Governor General as is provided for the currency and credit legislation, can step in and say that in future the Reserve Bank shall be a State Bank and that it shall be worked in the interests of Indians alone. Therefore, this is a most salutary amendment which has been proposed by Mr. Bhupat Singh and I support it.

Sir Gomasji Jehangir: Mr. President, it is not necessary to go into the various questions that have been raised on this amendment by my Honourable friends, but there is just one statement made by my friend, the Doctor, which I should not like to go uncontradicted. He stated that there might

[Sir Cowasji Jehangir.]

have been in this House a majority for a Shareholders Bank, but he confidently thought that, in the country as a whole, the people were unanimously in favour of a State Bank.

Dr. Ziauddin Ahmad: I said, substantial majority.

Sir Cowasji Jehangir: I do not believe that is correct. I believe there is a great deal of difference of opinion in the country, but I maintain that there are more supporters of a Shareholders Bank today than there ever were before. They may even be in a majority, and, so far as my province is concerned, I can say with some confidence that the majority are in favour of a Shareholders Bank.

Now, Sir, as to the question of changing one's opinion, I think every man not only has the right to change his opinion, but has to change his opinion in the interests of his country when circumstances change and when new facts come into existence and new facts are brought forward which one might not have been aware of when one originally came to a decision, but it is incumbent on everybody, as my Honourable friend, the Doctor, said to give not only reasons for a change of opinion, but what is much more important is that those reasons should be understood by everybody. To give reasons which are not understood is not of much use and, therefore, I think the most important point is that the reasons for change of opinion should be understood and, therefore, I deprecate, Mr. President, any allusion to change of opinion of any of our Honourable friends, whether they be in this House just now or they may not, on this important question.

As to the question of the voting power of shareholders in the future, I think my Honourable friend will realise that if he studies the Bill a little more, that provision has been made for most circumstances that may take place in the future and he need have no fear that nobody will apply for five shares, for I can guarantee that there will be at least three or four who sit within a few feet of me who will apply for Rs. 500 worth of shares, and, therefore, there will be some voters on the register when this Bill becomes an Act and the Reserve Bank is an accomplished fact.

Dr. Ziauddin Ahmad: The Honourable gentleman said something about giving reasons which are intelligible. Does he know the reasons given by Sir Purshotamdas Thakurdas and Mr. A. Rangaswami Aiyangar for changing their opinions?

Sir Cowasji Jehangir: Mr. President, I deprecate accusations of this kind against well-known men in the public life of India when they are not present here to answer such charges. They are quite capable of defending themselves outside and I am not here to defend them, but I do deprecate, and I would appeal to Honourable Members that it is not fair to make serious allegations against gentlemen who are not present in the House.

Dr. Ziauddin Ahmad: I did not say anything about these two gentlemen. I merely asked whether the Honourable speaker is aware of any arguments advanced by them? I simply asked for a "yes" or "no".

Sir Cowasji Jehangir: The fact is, Mr. President, if my Honourable friend wants to know it and insists on my giving the fact, the fact is

that my Honourable friend was present from day to day in London at these meetings and in daily touch with the members of that Committee, and not once did he say one word in favour of a State Bank, nor did he ask any of his friends who were on that Committee to advocate a State Bank, and, therefore, I do not think it right that he should now ask me for the opinions of members of that Committee who are not Members of this House—opinions which they may have expressed, which I am not aware of.

Sir, coming to the exact amendment, there has been a great deal of sympathy for this amendment in this House and I think the majority feel that the State should have the power to buy up all the shares at some stage or another. Now, the stage at which under this Bill the State can buy up all these shares is after the lapse of 25 years, after which it is contemplated that an amendment to the Act can be moved in this House affecting the rights of the shareholders. That is in clause 2, and the point raised by Mr. Bhuput Sing is—if I may so state it—whether it should be after 15 years or after 25 years. If he is of opinion that it should be after 25 years, then the provision is already there in the Bill.

Mr. Gaya Prasad Singh: Where is it?

Sir Cowasji Jehangir: Clause 1 (4) says:

"This Act shall remain in force for a period of twenty-five years and thereafter until repealed."

So, after 25 years, the Bill can be amended in certain respects so as to enable the State to buy up the shares. But the whole scheme is supposed to be in force for 25 years, and it is intended that no material change should be made for 25 years. Now, my Honourable friend desires that the State should be enabled to make a material change after fifteen years.

Mr. Bhuput Sing: My point is that the State should have the right to purchase all the shares at any time after the lapse of fifteen years if it is necessary to purchase the shares. There is no such provision that the Bill shall come up before the House after 25 years.

Sir Cowasji Jehangir: After 25 years, if the State, being the Government of the day, is of opinion that the shares should be all bought up, they can do so under the provisions of this Bill under clause 1 (4). I think that is the legal interpretation; so we were informed in the Select Committee. Under clause 1 (4), after 25 years, by an amendment of this Act the State can buy up all the shares. (*An Honourable Member:* "At the market value?") No. There is a provision in the Bill that a certain proportion of the profits must go to the shareholders—25 per cent., 75 per cent must go back to the State. Twenty-five per cent must go to the shareholders, and what is more, if, under clause 30, the Bank is wound up or the State has to take over the management of the Bank, then, with regard to the profits, for each year the shareholders get one per cent. That is to say, if the Bank has got to be wound up after five years, they will get the return of their money at the par value *plus* five per cent. if the profits so warrant it, the balance going to Government, and, therefore, there is an object in putting in 25 years. The object is that the shareholders should get their share of the profits before the State should exercise its option

[Sir Cowasji Jehangir.]

of buying up the shares. So the period of 25 years is very significant. If his amendment was carried by the House, it would mean that after fifteen years the State would buy up all the shares, paying the shareholders at par *plus* only 15 per cent. of the profits, whereas the shareholders would be entitled to another 10 per cent if the Bank was allowed to go on as contemplated under this Bill for another ten years.

The Honourable Sir George Schuster: May I point out to my Honourable friend that it seems to me there is a lacuna in my Honourable friend's amendment, because nothing is said as to the price at which Government will be able to buy up the shares. It would not necessarily follow that the shareholders will get par value *plus* a premium in addition. I think my Honourable friend's amendment is defective on that point.

Sir Cowasji Jehangir: It may be that the legal interpretation may be that the clauses regarding winding up may not apply to my Honourable friend's amendment, and, therefore, after fifteen years, they will only get their monies back at par. I do not think that is what my Honourable friend intended. My Honourable friend would have to amend his amendment to carry out his real intention, and I am certain that that was not his intention and most probably he has overlooked it. I am not really so concerned as to the drafting of these clauses as the intentions of my Honourable friend. If the drafting can be improved, that will have to be done undoubtedly. After all, we are laymen in this House, we are not expert draftsmen, and when we express an opinion that we desire an amendment of the Bill in a certain direction, we do expect that the Law Officers of the Crown will see that our intentions are carried out in the Bill. That is all I suggest on behalf of the non-official side. I myself would have expected that my Honourable friends opposite would point out to me that my intention was not being carried out by the phraseology I have used, and, I should think, that should apply to all amendments moved in this House. What my Honourable friends mean, however, is that after 15 years the State should have the right to purchase all the shares, returning to the shareholders their money at par *plus* fifteen per cent. Now, the only issue before this House, in my humble opinion, is whether it should be 25 years or 15 years. If it is 25 years, then, as the Raja Bahadur very clearly pointed out, that provision is in the Bill. If it is 15 years, then my Honourable friend's amendment would have to be carried. I would like to have a confirmation of this from the Law Officers of the Government. Will the position be this that, for all other purposes, clause 1 (4) would remain in force but for this particular purpose, that is to say, if between 15 and 25 years of the life of this Bank the State wanted to exercise its option, then a provision should be made for it. I would like to have a confirmation of this.

The Honourable Sir George Schuster: I would like to tell my Honourable friend that the result would be a good deal more complicated than that. If the Government exercised their option to purchase at the end of 15 years, many of the provisions of this Bill would become inapplicable. The whole of the provisions for the election of Directors would disappear and amending legislation would be necessary. It would be necessary to legislate for setting up a State Bank. Therefore, all the provisions of the Act in Chapter II, at any rate, would cease to have effect.

Sir Cowasji Jehangir: That is exactly the point. I have not the slightest doubt in my mind that a new Bill would have to be moved. But the point is that, under clause 1 (4), Government would be precluded from moving such a Bill because it would be a breach of faith with the shareholders.

The Honourable Sir George Schuster: Not at all. I think there has been some misunderstanding as to the effect of clause 1 (4). There can be no clause put in to a legislative measure which prevents the Legislature from amending that measure.

Sir Cowasji Jehangir: If that is the assurance given

Mr. President (The Honourable Sir Shanmukham Chetty): By no provision in an Act of this Legislature can this House preclude its successor from amending an Act which this House passes. The Honourable Member may put a hundred years in this Bill, but it will not prevent the same House next year from amending this Bill or any of its provisions.

Sir Cowasji Jehangir: But there is a third party in this case, the shareholders. This House can always amend the Act as it chooses within a year of its coming into force provided they are prepared to pay the damages to the shareholders. That is my view and I do maintain that if you invite the shareholders to subscribe the capital and then chuck the money back at them within a year or two, I think the shareholders have some grievance and have some claim.

Mr. F. E. James (Madras: European): If there is a compensatory clause in the Bill for such an event, then no shareholders would have any cause to grumble.

Sir Cowasji Jehangir: But there is no such clause. If you can amend this Act at any time so as to enable the State to buy up all the shares, then no provision in the Act is necessary. As soon as the Government of the day come to the conclusion that they should buy up all the shares, they move an amendment to that effect or bring in a new amending Bill and all the shares are bought up. But in that case I do think that a provision should be made to compensate the shareholders to enable them to get a proper percentage of the profits. No such provision has been made in the Bill. Now, may I ask what was the object of putting in clause 1 (4)? The object is to give an assurance to the shareholders that at least for 25 years they shall have a permanent investment.

The Honourable Sir George Schuster: That is so.

Sir Cowasji Jehangir: That is the object of the clause. Therefore, Sir, if you give an assurance of this sort to the shareholders in the Bill, you must also have a provision to compensate them if you change your mind or if the State changes its mind. I think Mr. Bhuput Sing or, for the matter of that, any layman would be carried away with the idea that for 25 years the State cannot interfere.

Mr. N. N. Anklesaria (Bombay Northern Division: Non-Muhammadan Rural): Is there anything which can debar this Legislature from repealing this compensation clause at any time it likes?

Sir Cowasji Jehangir: This Legislature or, for the matter of that, any Legislature can do the most unjust things and they have done the most unjust things in the past and, I feel sure, that the best of Legislatures will continue to do unjust things. But we cannot contemplate just now a Legislature in the future depriving the shareholders of their legitimate profits.

Mr. B. E. Puri: I would like to know where does this question of damages really come in and then I could meet it?

Sir Cowasji Jehangir: There is this clause in the Bill that gives an assurance to the shareholders that their capital will be kept for 25 years. If you change that, you do some damage to the shareholders and, therefore, the State must compensate the shareholders.

Mr. B. E. Puri: If you will just let the question . . .

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member can reply to the arguments if he gets a chance later on.

Sir Cowasji Jehangir: I still repeat that the only point is whether the State should have that moral right within 25 years or within 15 years. The legal right it always has. I would personally prefer 25 years, because it gives a fair chance to the Bank to get on its feet. And, in 25 years time from now, many of the constitutional problems that loom large on the horizon that are always present in our minds will, I am certain, not exist and most probably our successors will be discussing totally different issues to what we are discussing today. Therefore, I do appeal to my Honourable friend, Mr. Bhuput Sing, that if he gets the assurance and if it is clearly understood that the State has got the right after 25 years, if it so chooses, to buy up all the shares under the provisions of the Bill as it stands, he will withdraw his amendment.

The Honourable Sir Brojendra Mitter (Law Member): May I explain the position?

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member ought to finish his speech and then the Honourable the Law Member can explain the legal position.

Sir Cowasji Jehangir: Then, I will appeal to the Honourable the Law Member to clear up this position whether the State, according to the provisions of the Bill as it stands, cannot amend the Act so as to buy up all the shares, paying the shareholders such compensation as may be justifiable. I can see the point that the Honourable the Finance Member is troubled over. There is no provision in the Bill that 25 per cent. should be paid to the shareholders out of the profits if the State buys up all the shares. There is no provision of that sort. I think such a provision might be included and it might well come from Government. If that is so and that was the understanding as far as I remember—at any rate that was my impression—in the Select Committee that the State should have the right to buy up the shares after 25 years, then the Government can bring an amendment to that effect. Clause 1, sub-clause (4), is provided for that. I do admit now that we did not provide for compensation.

The Honourable Sir George Schuster: I think my Honourable friend is perhaps introducing a certain amount of confusion by talking about buying up the shares. That might be one rather special method of terminating the Bank's charter. In fact, it would not be the normal way. If the Bank is given its life of 25 years and if its charter is then terminated, that means normally that the Government would take over the business of the Bank, not that it would buy the shares from the shareholders. The Bank would cease to carry out its functions and would go into liquidation and in that case, the provisions of clause 56 would apply. I think my Honourable friend is perhaps making the case more difficult by contemplating it in terms of the Government buying up the shares.

Sir Cowasji Jehangir: Would the Honourable Member inform the House as to what is contemplated after 25 years under the Bill? Would the Honourable Member say what the expression "thereafter until repealed" means? I think it means that if Government do desire a change, they can do so after 25 years. It will go on as it is until it is repealed and that the repeal should not come for 25 years. That is the assurance you give under the Act, whatever your rights may be.

The Honourable Sir George Schuster: If the Act is repealed, then the consequence would not be the buying of the shares by the Government but the taking over of the whole Bank's business on liquidation of the Bank.

Sir Cowasji Jehangir: What becomes of the shareholders? How are they compensated?

The Honourable Sir George Schuster: According to the provisions of clause 56.

Sir Cowasji Jehangir: Clause 56, according to the Honourable the Finance Member, would apply to conditions when Government take over the management of the Bank for other reasons at any time.

The Honourable Sir George Schuster: On liquidation.

Sir Cowasji Jehangir: Under those circumstances, it is more than possible with the assurance given by the Honourable the Law Member that the House would be prepared to accept 25 years and I think the Bill, as it stands, would perhaps serve our purpose and no amendment may be necessary.

Mr. S. O. Mitra: Make it 15 years everywhere.

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member ought to make up his mind whether to conclude his speech or not.

Sir Cowasji Jehangir: I have concluded.

The Honourable Sir Brojendra Mitter: Sir, clause 56 of the Bill refers to liquidation and that has nothing to do with termination under sub-clause (4) of clause 1 which says:

"This Act shall remain in force for a period of 25 years and thereafter until repealed."

[Sir Brojendra Mitter.]

Clause 56 is operative only during the currency of the Act. The Act goes on if it is not repealed after 25 years. But you cannot tie the hands of the Legislature by a clause like this. The Legislature can, at any moment, repeal this Act, amend it or make or not make any provision for compensation. The Legislature is supreme in that matter. When the Act says that it goes on for 25 years and thereafter until repealed, really this has no legal significance; it is a mere expectation. It goes on for ever until amended or repealed. The clause does not in anyway limit the power of the Legislature to amend the Act or to repeal it at any time within 25 years. I think the confusion arose by introducing the liquidation clause into this discussion. The liquidation clause is operative when the Bank is going on under the Act and when the Governor General in Council by order directs liquidation; then and then only clause 56 comes into operation. As regards compensation, which my Honourable friend, Sir Cowasji Jehangir, referred to, supposing at any time the Legislature wants to amend this Act, and supposing the Legislature says that the State should take over from the shareholders and buy up their shares, it will be for the Legislature to say whether, in fairness to the shareholders, compensation should not be paid to them. The Government cannot give any assurance on this matter. That is entirely in the hands of the Legislature.

Sir Cowasji Jehangir: May I ask the Honourable the Law Member whether the significance of sub-clause (4) of clause 1 is not at least a moral assurance?

The Honourable Sir Brojendra Mitter: It is the expectation that it should go on for 25 years and thereafter if not repealed. I repeat that it does not limit the powers of the Legislature to step in at any time within the 25 years.

Mr. President (The Honourable Sir Shanmukham Chetty): Does the Chair understand the Honourable Member to say that clause 56 regarding liquidation will come into operation only if there is a specific order of the Governor General in Council that such a liquidation be made and the proviso defining the shares of the shareholders in the Reserve Bank will come into operation only in such a case?

The Honourable Sir Brojendra Mitter: Yes, Sir.

Mr. President (The Honourable Sir Shanmukham Chetty): If that is so, what happens after 25 years? If, after 25 years, the Act is repealed and the Governor General does not notify any liquidation, what happens to the assets of the Bank?

The Honourable Sir Brojendra Mitter: It will be for the Legislature to say, because clause 56 cannot be operative if the Act is repealed. It can come into operation only when the Governor General in Council makes an order under the Act; if the Act is repealed, clause 56 goes with it, and then it is for the Legislature to substitute anything in its place, with or without compensation.

Mr. S. O. Mitra: I support the amendment of my Honourable friend, Mr. Bhuput Sing, and hope that my Honourable friend, Mr. Raju, will

not press his amendment. I have made it clear that I believe in a State Bank and I further believe that, in course of time, the Government as well as those who oppose us today would feel that a shareholders scheme will not function as they expect it to. I know that this Legislature is the supreme Legislature in the country and that it has got power to repeal or to amend any of its provisions but unless there is a clause like the amendment proposed, the question will arise about compensation as was put by Sir Cowasji Jehangir. If there is no such clause, I admit, Sir, as you have said, that this House can always repeal this Act or change it into a State Bank, and questions will then arise that the shareholders were not appraised of that fact and that they may demand compensation. So, we, on this side, would like that there should be a specific provision in the Statute itself that if it is found afterwards that the Shareholders Bank is not functioning and is replaced by a State Bank, there will be no difficulty.

As regards the amendment of my Honourable friend, Mr. Raju, I agree with him that his amendment is the more logical, and if we follow the precedents of other countries which my Honourable friend, Mr. Bhuput Singh, enunciated we will find that nowhere perhaps is there any time-limit. Yet I appeal to my Honourable friend, Mr. Raju, not to press his motion, because of the peculiar conditions in India. We should like to give sufficient time to this Reserve Bank, even as a Shareholders Bank, to make experiment, so that it may not be said that it has not been tried for a sufficient period of time. Then there is an agreement,—a subsidiary agreement with the Imperial Bank for a period of 20 years. We on this side are attempting to bring it down to 15 years, making 10 years certain and five years notice, in which we will get the support even of my Leader, Sir Cowasji Jehangir. That is an additional ground that the period for a shareholders scheme should be certain for 15 years, after which there will be the option for the Government to buy up its shares. Sir, many Honourable Members, who argue from the opposite standpoint, forget that it is really an optional clause, and why should they not have confidence in Government? Since yesterday we have been feeling that the officials have become traitors and that they do not support a State Bank, and when we support a State Bank, they vote against it. We have confidence in the present officials and also in the officials of the future. This is an optional clause that if the State of the day feels that the Bank is not being conducted in a proper way, then it will exercise its option. It has been truly said by the Raja Bahadur that, under clause 90, there is a provision for stepping in in case of emergency. But what I urge is that with a provision like this we may not go to the extreme length of superseding the whole Bank and thus creating a very critical situation in India. In clause 90, it is provided that, under certain contingencies, the Bank should be altogether superseded and wound up and the Legislature for the time being will be called upon to think of another scheme. But, I think, if we accept this provision, there is another alternative way by which instead of going to the extreme step of putting the whole country's finances into jeopardy, Government may think it worth their while to buy up shares. So really this provision only gives to the country and the Legislature the power to review the whole situation about the State Bank, and, instead of waiting till the end of 25 years, we get an earlier opportunity to revise our position.

[Mr. S. C. Mitra.]

I must say just a word about the opinion in the country as regards a State Bank. I accept my Leader's statement that in the Bombay Presidency there is a vast majority in favour of a shareholders scheme; but, I may say, without fear of contradiction, that in the rest of the country, outside the Bombay Presidency, the majority are for a State Bank. So, later on, if the country and the Legislature and the Government feel that the shareholders scheme has failed, Government may step in and this clause will help in that direction. Sir, I support the amendment of my friend, Mr. Bhuput Sing.

Mr. T. N. Ramakrishna Reddi (Madras ceded Districts and Chittoor: Non-Muhammadan Rural): Sir, Sir Cowasji Jehangir seems to have been scared away by the fact that under sub-clause (4) of clause 1, the Act shall remain in force for a period of 25 years and that, if we accept this amendment giving option to Government to purchase the shares after 15 years, then we may have to pay compensation to the shareholders, and, so, many complications would arise. But, Sir, we have not yet disposed of clause 1 which will come latterly and, so, if the House agrees to give option to the Government to purchase shares after 15 years, there is no harm in subsequently amending this sub-clause (4) of clause 1 and say that this Act shall remain in force for 15 years, etc. Further, Sir, sub-clause (4) of clause 1 does not say that the Bank should come to an end automatically after a definite period. It may continue even beyond that period unless it is repealed and so there is absolutely no difficulty in regard to this matter. And everything depends upon us whether we accept 15 years and agree to give option to Government to purchase the shares after the lapse of 15 years. But, even supposing we do not amend sub-clause (4) of clause 1 and allow the Act to remain in force for 25 years, if we accept this present amendment we need not pay compensation to the shareholders, because the shareholders purchase their shares with their eyes open to the amended clause and hence we are not required to pay any compensation to them at all. Further, the figure of 25 years is not sacrosanct. A period of 15 years is quite enough for us to see whether a Shareholders Bank will work successfully. It is quite a long period and, after the end of 15 years, the option is given to Government to purchase the shares if it is proved at the end of that period that a Shareholders Bank does not work properly. Hence I have pleasure in supporting the amendment of my friend, Mr. Bhuput Sing.

Mr. S. C. Sen (Bengal National Chamber of Commerce: Indian Commerce): Sir, I have been listening to the debate all this time, but I am afraid I have not understood the meaning of this proposed amendment. The amendment is that Government will be in a position to purchase all the shares after 15 years, but what would be the result of purchasing these shares after 15 years? Will the Bank continue as settled in this Bill or will it cease to function as a Reserve Bank and as a Shareholders Bank? I say, it must cease to function as a Shareholders Bank. Under the ordinary company law, if in a company all the shares are purchased by one person or when the number of shareholders becomes less than seven, the company *ipso facto* goes into liquidation and ceases to exist. This Bank, of course, will be a statutory company and I do not know what will be the position when all the shares are purchased by Government for its own purposes. The provisions contained in this Bill cannot then operate. But it is

said that, under sub-clause (4) of clause 1, there is a guarantee by Government that the Bank shall continue for 25 years and thereafter. I say, there is no guarantee, *nothing* of the kind. Section 56, which has been referred to by the Honourable the Law Member, shows conclusively that the Government can, if they like supersede the Bank or wind it up at any time they like. There is no time-limit given there. Therefore, to say that 25 years is the minimum time for which the Bank should exist is a myth.

The Honourable Sir Brojendra Mitter: It is a mere expectation.

Mr. S. C. Sen: I would not say even that much. It is a surplusage, because, as the Law Member has put it, you cannot bind the Legislature to tie up their hands for a particular period and not to act if they like to do so. In these circumstances, I do not understand the object of this amendment. If the Government have power under clause 56 to wind up the company at any time they like, what is the object of having an amendment which is to be on clause 4? In these circumstances, I oppose the amendment.

Mr. Gaya Prasad Singh: Sir, I rise to support this amendment. I am not wedded to the exact wording of it which may be open to certain deficiencies as pointed out by my Honourable friend, Sir Cowasji Jehangir, but so long as the intention is clear, giving option to the State to purchase the shares of the Bank after a specified period, I for one would like to support it.

Sir, I have neither the desire nor the capacity to follow my Honourable friend, Dr. Ziauddin, in his mathematical conundrums which he placed before us, and which I leave to my Honourable friend, the Finance Member, to solve for the benefit of the House. I have only to stress that the Bank must start with goodwill on both sides, and with confidence. In this connection, I would refer to the speech of my Honourable friend, the Finance Member, which he delivered on the 14th September, 1933, in which he said that the Bank "must become a trusted part of Indian public life", and that "it must be an Indian institution commanding the confidence of Indian opinion, otherwise the whole purpose of the proposal would be lost". Now, Sir, if my Honourable friend stands up and opposes a reasonable suggestion like the one embodied in the amendment in question, will he not be laying himself open to the charge that he is imbued with a distrust of the future of the power which this amendment seeks to confer upon the

1 P.M.

Government of the country? Why is it that my friend fights shy of the power which this amendment seeks to confer upon the Government after 15 years, to purchase the shares under whatever conditions it may be proper for us to lay down? Reference has been made to clause 30 of the Bill. Clause 30 of the Bill refers to the powers of the Governor General in Council to supersede the Central Board, and the condition laid down is that, if, in the opinion of the Governor General in Council, the Bank fails to carry out any of the obligations imposed upon it by or under this Act, he may, by notification, declare the Central Board to be superseded. We can envisage circumstances in which this Bank might not have gone beyond the terms laid down in any of the clauses of this Bill; but, at the same time, it would have acted in a way which is harmful to the interests of the country: for instance by the manipulation of the currency and credit policy. Under these circumstances, although not strictly speaking contravening any of the provisions of this Act, it might be necessary for the State, after 15 years, to buy up the shares and convert

[Mr. Gaya Prasad Singh.]

it into a State Bank. So, by opposing this amendment, the Government are only betraying a distrust of the future Government of the country after 15 years.

Reference has been made to clause 1 (4) which says that this Act shall remain in force for a period of 25 years and thereafter until repealed. What is the meaning of this sub-clause? If, as it has been claimed, it is the inherent right of this Legislature to bring in an amending Bill at any time within the period

The Honourable Sir Brojendra Mitter: This word "inherent" has a very unsavoury association in this House; the right is not inherent: it is an express right of the Legislature.

Mr. Gaya Prasad Singh: If it is the express right of this House at any future time, irrespective of the period, to bring in an amending Bill, sub-clause (4) of clause 1 becomes superfluous: then, what was the necessity for putting it here? Every Act remains in force until it is repealed

Raja Bahadur G. Krishnamachariar: You put it, because you agreed in the Select Committee.

Mr. Gaya Prasad Singh: I am very glad, my friend, Raja Bahadur Krishnamachariar, has made reference to the Select Committee, and, without betraying any secret or going into the details of what transpired there, I might say that it was put forward, as a reason for retaining this sub-clause, that the shareholders must have some sort of guarantee that the Bank should remain a Shareholders Bank at least for 25 years. If that is not so, I would still ask my friend, the Finance Member, to agree to the deletion of this clause altogether. Why should the shareholders stand in need of any sort of guarantee if it is the express right of the Legislature to bring in amending legislation at any future date? With regard to this express right of the Legislature to bring in an amending Bill at any future date, I might refer to the evidence of Sir Samuel Hoare, the Secretary of State, which says that, for certain purposes, no amendment of the Reserve Bank Bill can be taken in hand without the consent of the Parliament or of the Secretary of State or the Governor General at his discretion. It was a point which we raised in the Select Committee and to which no satisfactory reply even up till now has been vouchsafed by the Government. Therefore, it is a misnomer to say that this House has the express right to bring in amending legislation at any time

The Honourable Sir Brojendra Mitter: May I interpose for a minute? I said, this House had the express right. But, before the House can exercise its right, it must have a measure before it. The previous sanction of the Governor General deals with a Member's right to bring a measure before this House. Once a measure is before the House, the House is supreme. That is the express right of the Legislature. My friend was confusing that right with the right of a Member in bringing a matter before the House without the removal of the bar of the Governor General's sanction. There is that distinction.

Mr. Gaya Prasad Singh: This House consists of the Government and non-official Members: do I understand that a private Member is debarred from bringing in an amending Bill without the sanction of the Governor General?

Mr. President (The Honourable Sir Shanmukham Chetty): Where, according to the Government of India Act, the previous sanction of the Governor General is required for any amendment, that sanction must be obtained whether the amendment is introduced by a non-official Member or by a Member of the Government.

Mr. Gaya Prasad Singh: That is just my point: that the previous sanction of the Governor General is necessary for bringing in an amendment of this Bill in this House under the Government of India Act.

Now, it appears from the evidence of the Secretary of State that the "Governor General" in some matters, under that Adaptation clause, will mean "Governor General at his discretion" which might mean the "Governor General as dictated to by the Secretary of State or even by the British Cabinet". This is the question which cropped up in the Select Committee and this is the question which we were discussing the other day; and I, as well as other Members, have been repeatedly asking Government to categorically deny the position; but they have not done so. That results in deepening the confusion in our minds: we are getting suspicious, because the Government do not say that it is the express right of the Legislature to bring in an amending Bill; therefore, it becomes necessary . .

The Honourable Sir Brojendra Mitter: The Legislature does not bring in any Bill: a Member has to do it. My friend will not understand the distinction between Members' rights and the rights of the Legislature. That is the unfortunate part of it.

Mr. Gaya Prasad Singh: My friend is making too much of a legal quibble in which he is an expert. The question is very plain: an amendment to this Bill can be brought forward only by a Member, not by the Legislature as a whole, whether that Member is a Government Member or a non-official Member. No amendment can be moved or brought forward either by an official Member or a non-official Member without the sanction of the Governor General. This is just what I am saying: then, what is the use of my friend standing up every time and indulging in this legal quibbling? I will invite him to give us the benefit of his wisdom in clearing up this position, a position which has been created by the evidence of the Secretary of State. If he has anything profitable to contribute to the debate, we shall really be very thankful to him; but under the present circumstances as our suspicion has not been removed, I think there should be something in this Bill to give power to the State to purchase the shares, and this is what the amendment seeks to achieve. Therefore, the substance of the amendment is one which will meet with the approval of this side of the House, and, in view of the explanation which has been given by my Honourable friend, the Law Member, I do not think there should be any difficulty in clearing the position by agreeing to this amendment being inserted in the Bill with whatever suitable verbal changes it may be necessary to make. With these few words, I support this amendment.

Mr. B. Das (Orissa Division: Non-Muhammadan): Sir, the hidden claws and cloven hoofs of capitalism stood revealed stark naked when the Leader of the Opposition stood up for the shareholders' interest and I thought that these last seven or eight days he was standing for the national interest and that he expounded the proposition that a Shareholders Bank was the best thing that could give the nation a National Bank. Sir, in the Select Committee and outside it, this problem always came up,—how is the interest of the shareholders going to be safeguarded? The Leader of the

[Mr. B. Das.]

Opposition forgets that the Reserve Bank is not meant nor is it designed only to satisfy the interest of capitalists of Bombay or Calcutta, and the wordy dialogues that went on makes me wonder whether we are handing over something to the Bombay Stock Exchange that they would go on profiteering by taking up the share value from Rs. 100 to Rs. 1,000, and then gradually bringing it down to Rs. 50 and profiteer on and on, just as they did when the Scindia Steam Navigation Company was floated in 1918, when not only the Bombay Presidency, but the whole of India collapsed, and the poor people lost millions of their money. That is not our intention in the present case. Our intention is to provide a national Reserve Bank, and if the House has accepted a Shareholders Bank, I bow to the wisdom of the House,—thanks to the able support that was given by my friends, Sir Cowasji Jehangir, Mr. Ranga Iyer and my friend, Diwan Bahadur Ramaswami Mudaliar—I have bowed to the inevitable decision that there should be a Shareholders Bank, and today to come and ask us—“how do you safeguard the interest of the shareholders” forgetting that we are placing on behalf of the State huge credits which will all go to foster the capitalistic interest of the Directors of the Reserve Bank. And my friend, the Leader of the Opposition, today is so anxious that the shareholders must profit, and the shareholder,—if I can talk of the ordinary shareholder,—and I hope I shall be one unless my Honourable friend, the Finance Member, or the Central Board by some process should exclude me from becoming one.—I do not think he or anybody will do that,—although we have removed that particular clause from the Bill where there was a provision that the Central Board should have the right to exclude particular people from becoming shareholders. . . .

Sir Cowasji Jehangir: Do you want to be a shareholder? If you are hoping to be a shareholder, you surely want to provide that in case of liquidation you will get your profit and an equitable share of the profits. You do want that. That is what I maintained.

Mr. B. Das: Sir, I want to get the legitimate value of my share, and for that provision has been made in clause 56, and, when in the Select Committee, we discussed clause 30, we provided. . . .

Sir Cowasji Jehangir: Then I can only say that there is no difference of opinion between us.

Mr. B. Das: Yes, that is so; but my friend is so anxious that the shareholders should profiteer. I would point out that the shareholder will have his shares as gilt-edged securities and not to make profits as friends from Bombay will do. That is why I object that the plutocrats of Bombay and Calcutta should be Directors of this Shareholders Bank. Even if this House creates a Reserve Bank, and the Government acquire it 100 years hence, the shareholders will not get more than 25 per cent of the share value as premium as has been provided in clause 56. Therefore, it is no use our arguing what profit the shareholders will make 15 years hence. Well, he will get 15 per cent. of the share value in addition to the face value of his shares and the Governor General in Council has been provided with that power; but if my friends will then demand from the Government the share value of the shares which the Bombay Stock Exchange will raise up, as they always do, then my Honourable friend will be disillusioned. I may add that we had discussed the amendment of my friend, Mr. Bhuput

Sing, and I wish to support it, though sentimentally, for it is of academic value only. Knowing the Government mentality, I was not anxious to raise a debate, but since my Honourable friend, the Leader of the Opposition, has brought forward arguments in the interest of shareholders, I have no alternative but to support the motion of my friend, Mr. Bhuput Sing, which is only of academic interest.

The Assembly then adjourned for Lunch till Half Past Two of the Clock.

The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

Mr. C. S. Ranga Iyer (Rohilkund and Kumaon Divisions: Non-Muhamadan Rural): Sir, it is, I think, necessary to say a few words in view of the observations that have fallen from the lips of certain Members of my Party. My Party has left these and other matters, as must be evident to the House, as an open question. I consider that it is but natural that those who do not believe in a shareholders' scheme,—it is even fair from their point of view,—that they should approach this question with some diffidence. This amendment is the result of despondency. They believe that the Bank based on a shareholders' scheme is going to break down. They do not think it will be a success that we hope it will be. The supporters of a shareholders' scheme, who agree to this particular clause which embodies our expectation that it will work successfully for 25 years, want to create as far as possible an atmosphere of confidence and goodwill.

My Honourable friend, Mr. B. Das, has interminable suspicion of the plutocrats of Bombay and Calcutta as he put it. Probably plutocracy has no place in his own new province of Orissa. . . .

Mr. B. Das: It is all democracy.

Mr. C. S. Ranga Iyer: He who is so suspicious has naturally been swept away by the arguments of Sir Cowasji Jehangir who, however, may not accept the appellation that he is an embodiment in himself of plutocracy. (Laughter.) Surely, a Member so experienced as the Member from Orissa happens to be, so intelligent, as he always contributes in these controversies a good bit of original wisdom,—one who is so careful that other people should not call him inconsistent or accuse him of changing his mind on trivial grounds, ought to have taken care not to say to this House that he was going to support an amendment which was only, as he put it, of academic interest. Surely, if this amendment has only an academic value—and here I am certain my more serious-minded friend, Mr. Bhuput Sing, will not agree with Mr. Das—he at any rate should not have supported this amendment. I do not think that to Mr. Bhuput Singh and Mr. Gaya Prasad Singh and other opponents of the shareholders' scheme, this amendment has an academic value only. As Mr. S. C. Mitra truly said, this is rooted in their apprehensions. I can understand that point of view. Once you start with an apprehension it is just like going down a steep incline. I do not start with any apprehension.

No Central Bank in the world—and this perhaps even Mr. Neogy who reads the editorials of newspapers all over India will not dispute—is

[Mr. C. S. Ranga Iyer.]

started as a temporary proposition. Every Central Bank in every part of the world is started as a permanent institution. Sir, the present Central Bank I conceive will not like to give up its life after 25 years, though at the end of that period it may be open to this House to raise the question as to whether it should renew its charter or otherwise though in the Constitution it is contemplated as a permanent institution. Sir, I was told yesterday that each and every Indian edited newspaper, though I do not take my lead from newspapers, is opposed to a Central Bank of a shareholder kind. It is likely that such argument may be repeated also today, for once an ill-informed argument is not contradicted, it continues. Sir, a newspaper which publishes every week a picture of the Leader of the Democratic Party, which is an Indian-edited paper, is opposed to a State Bank, at any rate it supported repeatedly a Shareholders Bank. My Honourable friend, Sir Cowasji Jehangir, the Leader of the Opposition, naturally enquires which paper. That paper is named after that great man who was the political providence of the Leader of the Democratic Party, the maker of his future and whose agency faithfully and loyally reports every word uttered by Mr. Neogy in this House as if he is the only representative of democracy. (*An Honourable Member*: "The name is not still given.") *Roy's Weekly*. Another newspaper, if I should give the name of that newspaper, is *Hitavada* of Nagpur, another Indian-edited newspaper.

Mr. B. Das: Loyalist paper.

Mr. C. S. Ranga Iyer: When it supports Mr. B. Das, it is disloyalist; when it supports me, it is loyalist! It has given a cautious but reasoned support to a shareholders' scheme, and, if Mr. Das has any doubt about it, he can go to the Library and read the newspaper article.

Mr. B. Das: I never read that newspaper.

Mr. C. S. Ranga Iyer: However, *Hitavada*, in a long leading article on the Reserve Bank Bill says:

"If the Members of the Assembly are out to wreck the scheme on this plea, the alternative . . ."

It does not want them to wreck the Bill:

"The attack against a Shareholders Bank is not very convincing. . ."

I have made a present of that paper to my friend, the Honourable Member from Aligarh, and I am sure he will find a good deal of caution exercised in that newspaper when it finally asks the Members of this Legislature to support a Shareholders Bank. I would, therefore, advise Honourable gentlemen not to pursue further this rather pessimistic view which they have been placing before us. I would also tell them that the actual experience of calamity is less fearful than a distant prospect of it. Mr. Sen pointed out in his usually reasoned way that the minimum of 25 years is a myth. Whenever a minimum time is mentioned, in the light of the observations made by the Honourable the Leader of the House, in the light of the lead that he gave from his profound legal knowledge, when it is discovered on this side of the House that the right of the Legislature is not taken away, I do not see what we gain by saying after 14 years and one more year, you shall rake up this controversy and if possible break up a shareholders' scheme. That is not the way to start

a Reserve Bank in an atmosphere of goodwill and confidence. Mr. Gaya Prasad Singh said "start it in an atmosphere of goodwill and confidence" and then spoke of "betraying the trust of the future Government of the country". I was only going to say why betray the trust of the people who are to govern this country or at any rate the people who would like to be shareholders of a Central Bank.

Sir, I have only one word more and that is Mr. Gaya Prasad's apprehensions again arising from the light that the Honourable the Leader of the House shed on this House. He was almost Oscar Wildian in his expression: "to be intelligible is to be found out". Well, Sir, the Honourable the Leader of the House was not only intelligible but also intelligent.

The Honourable Sir George Schuster: Sir, I think this has been a rather curious discussion. If I may say so, the amendment itself would seem to me to make the matter look rather more simple than it really is, and perhaps the debate has tended to introduce unnecessary complications. I do not suppose that any one will expect me to deal seriously with the hypothetical complications raised by my Honourable friend Dr. Ziauddin Ahmad. I think we can congratulate ourselves that we, who have not such vivid imaginations, can go through life without seeing all the dangers that my Honourable friend, with his acute intelligence, perceives; but if it would be of any use to my Honourable friend, I would like to offer him a post in which he will be fully able to exercise his capacities. The post which I have to offer him is that of hypothetical minister at the head of a hypothetical Finance Department for dealing with hypothetical problems in a hypothetical India. (Laughter.)

Mr. President (The Honourable Sir Shanmukham Chetty): With a hypothetical salary? (Laughter.)

The Honourable Sir George Schuster: I am very glad you raised that point. The salary would be entirely hypothetical. (Laughter.) Sir, my Honourable friend complained that we never supported our case when we made proposals from the Finance Department by scientific argument. I have long known that the best support for any proposal which we have to put forward is the extremely scientific argument which my Honourable friend generally adds to any debate on the subject. But turning to the matter which is really relevant to our discussion—and I think my Honourable friend will agree that his own suggestions were not entirely relevant to this particular motion—what is the real position? By this Bill we are proposing to create a Bank with an expectation of a minimum life of 25 years. On the other hand, the Legislature can amend that Bill at any time. That has been made clear this morning. Nevertheless, if it were to do so, it would be contrary to the original intention with which we are proposing to set up this Bank. Now, I think this amendment may, in its simplest sense, be regarded as an attempt to go behind that intention, the intention of setting up a Bank with an expectation of a minimum of 25 years life, and, in another sense, I think it goes even further. It is an attempt somehow to get behind the spirit of yesterday's decision. My main objection to this amendment is based on the ground just taken by my Honourable friend, Mr. Ranga Iyer. If we have decided to set up a Shareholders Bank, let us set up that Shareholders Bank in a spirit of confidence and give it a fair chance of success. If we give

[Sir George Schuster.]

it too short a life or if we indicate that the life which we are giving it may be shortened by the exercise of some overriding right of purchase, we shall not be showing adequate confidence in the success of the Bank and we will not give the Bank a fair chance at the start. My Honourable friend has quoted the cases of the charter of the Austrian Central Bank and the Czecho-Slovakian Central Bank as affording precedents for provisions of this kind; but I have examined those cases very carefully and I find that there is not in fact any precedent for the existence of a right of this kind which overrides the charter which is given to the Bank. In each of the cases quoted the Government can take over the business of the Bank by acquiring its shares if it so desires; but that is only on the termination of the charter, either at the expiry of its normal period or on its termination for other reasons. In neither case is there hanging over the life given to the Bank under its charter this right of the Government to step in and acquire the shares on compulsory terms; so that I think my Honourable friend is not strictly correct in quoting those two cases as precedents. That, if I may say so, is the simple ground; but I can hardly fail to have an idea in my mind, particularly after what my Honourable friend, Mr. Gaya Prasad Singh, said, that there may be a different purpose in the minds of Honourable Members or some of them who have supported this measure. I think that possibly some of them feel that if a right of this kind exists under which the executive government could acquire the shares at a compulsory price and, therefore, take over the whole business of the Bank, they would in effect be able to change the whole situation without legislation, and, therefore, they would be able to defeat that provision in the Constitution contemplated by the White Paper which would not allow legislation on the Reserve Bank to be introduced without the prior assent of the Governor General. I think that that idea must have been moving in the minds of some of my Honourable friends. Mr. Gaya Prasad Singh is not here, but he asked for a clear answer on that point and said that his suspicions would not be allayed until he received a clear answer. But the position must be absolutely and entirely clear to any one who has read the White Paper. Honourable Members may not like the proposals, but the proposals are absolutely clear, and, if the setting up of a Reserve Bank is to be regarded as an essential part of the constitutional scheme, then that White Paper plan must, so far as we know, stand, and it will be impossible to get behind it by the introduction of an amendment of this kind. But, as a matter of fact, even if this amendment were accepted, it would not be effective for this purpose, because merely taking over the shares in the Bank from the shareholders would not dispose of the question. Legislation would then be necessary. You cannot merely acquire these shares and then allow things to continue as they are. By acquiring the shares—and that I understand at any rate to be the purpose in my Honourable friend's mind—you would terminate the existence of the Bank as a shareholders institution, and legislation would be necessary in order to deal with the situation. When that legislation has to be considered, then the provisions outlined in paragraph 119 of the White Paper come in, and my Honourable friend will find that, at the very best, he would have been able, by this amendment, to create a deadlock. But, Sir, there are still further objections. What has always been in our minds in framing this general plan is this—that if, contrary to our expectations, contrary to the confident expectations which we desire to create, this Bank does

not work, then it will be necessary either to take advantage of the powers existing under clause 30 or, if an actual breach of the agreement has not taken place, to consider amending legislation. One must contemplate that possibility. But if the matter is handled in that way, . . .

Mr. Bhuput Sing: May I ask whether the Governor General has got power, under section 56, to take over the management if they find it necessary?

The Honourable Sir George Schuster. Section 56 has nothing to do with the matter, if I may say so. Section 56 merely lays down the provisions governing the liquidation of the Bank. It says that the Bank cannot be put under liquidation except by an order of the Governor General in Council and it then says that on liquidation the rights of the shareholders to share in the assets will be limited in a certain way. I was just developing the argument, when my Honourable friend interrupted me, that if the matter is handled in the way in which we contemplate it, that is to say, that either the Bank should be superseded owing to a breach of contract under clause 30, or if the situation developed in such a way that amending legislation would be necessary, then the matter must be brought before the Legislature and the Legislature will have the chance of settling how it is to be handled in the future. But if my Honourable friend's amendment was accepted, although I understand that his purpose is that the Government, having acquired those shares, should themselves handle the business in the future in the form of a State Bank, nevertheless it would be quite open to the executive to handle the matter in a quite different way. This, I admit, is a hypothetical supposition, but it is quite a possible supposition, that the Government might take over those shares and then the Government of the day might go to my Honourable friend, Sir Cowasji Jehangir, and say: "These shares are worth in the market 125 today. You can have shares to the value of two crores or so at Rs. 100 as long as you stick to them and exercise your powers in a way which will suit the Government. You will be the only shareholder on the Bombay register." It might then go with another crore's worth of shares to my Honourable friend, the Raja Bahadur, and ask him to accept the same proposition as regards the Madras register (Hear, hear), and so on. Now, that is not an entirely absurd case. It illustrates the insufficiency of my Honourable friend's proposal. He has thought over the matter to the extent of the Government buying up the shares, but he has not thought of the consequences of that at all. Government, it is true, might say, "having bought up these shares, let us proceed to carry on the business by means of a State Bank"; but they would not be able to do so without legislation, and I suggest that the whole contingency, which is in my Honourable friend's mind, is much better provided for under the provisions of the Bill as it is drafted. The only effect of my Honourable friend's motion will be to create a lack of confidence at the outset in the Bank's future and to indicate that we who are sponsoring it—and when I say "we" I mean not merely the Government, but the majority of this House supporting us—have not any real confidence in its success. Sir, I would put it to the House that that would be an unfortunate impression to create, and that, as the practical effects of my Honourable friend's amendment are, on the grounds I have stated, non-existent, it would be far better for the House to reject this motion. (Applause.)

Mr. President (The Honourable Sir Shanmukham Chetty): The 3 P. M. question is:

"That at the end of sub-clause (1) of clause 4 of the Bill the following be inserted:—
"but the Government shall have the right to buy up all shares of the Bank at any time after the lapse of fifteen years from the date of opening of the Bank'."

The Assembly divided:

AYES—24.

Abdul Matin Chaudhury, Mr.
Azhar Ali, Mr. Muhammad.
Ba Maung, U
Badi-uz-Zaman, Maulvi.
Bhuput Sing, Mr.
Das, Mr. B.
Jog, Mr. S. G.
Lahiri Chaudhury, Mr. D. K.
Lalchand Navalrai, Mr.
Mahapatra, Mr. Sitakanta.
Maswood Ahmad, Mr. M.
Mitra, Mr. S. C.

Murtuza Sahab Bahadur, Maulvi
Sayyid.
Neogy, Mr. K. C.
Pandya, Mr. Vidya Sagar.
Patil, Rao Bahadur B. L.
Puri, Mr. B. R.
Reddi, Mr. P. G.
Reddi, Mr. T. N. Ramakrishna.
Roy, Kumar G. R.
Sant Singh, Sardar.
Shafee Daoodi, Maulvi Muhammad.
Sitaramaraja, Mr. B.
Ziauddin Ahmad, Dr.

NOES—70.

Abdul Aziz, Khan Bahadur Mian.
Ahmad Nawaz Khan, Major Nawab.
Allah Baksh Khan Tiwana, Khan
Bahadur Malik.
Anklesaria, Mr. N. N.
Anwar-ul-Azim, Mr. Muhammad.
Ayangar, Mr. V. K. A. Aravamudha.
Bagla, Lala Rameshwar Prasad.
Bajpai, Mr. G. S.
Bhore, The Honourable Sir Joseph.
Bower, Mr. E. H. M.
Brij Kishore, Rai Bahadur Lala.
Chatarji, Mr. J. M.
Clow, Mr. A. G.
Cox, Mr. A. R.
Dalal, Dr. R. D.
Dash, Mr. A. J.
DeSouza, Dr. F. X.
Dillon, Mr. W.
Fazal Haq Piracha, Khan Sahib
Shaikh.
Graham, Sir Lancelot.
Grantham, Mr. S. G.
Haig, The Honourable Sir Harry.
Hezlett, Mr. J.
Hoon, Mr. A.
Hudson, Sir Leslie.
Ishwarsingji, Nawab Naharsingji.
Ismail Ali Khan, Kunwar Hajee.
Ismail Khan, Haji Chaudhury
Muhammad.
James, Mr. F. E.
Jawhar Singh, Sardar Bahadur
Sardar.
Jehangir, Sir Cowasji.
Krishnasachariar, Raja Bahadur G.
Lee, Mr. D. J. N.
Mackenzie, Mr. R. T. H.
Macmillan, Mr. A. M.

Metcalf, Mr. H. A. F.
Millar, Mr. E. S.
Milligan, Mr. J. A.
Mitter, The Honourable Sir Brojendra.
Morgan, Mr. G.
Mujumdar, Sardar G. N.
Mukherjee, Rai Bahadur S. C.
Nihal Singh, Sardar.
Noyce, The Honourable Sir Frank.
O'Sullivan, Mr. D. N.
Pandit, Rao Bahadur S. R.
Puri, Mr. Goswami M. R.
Rafiuddin Ahmad, Khan Bahadur
Mauvi.
Raghubir Singh, Rai Bahadur Kunwar.
Raisman, Mr. A.
Rajah, Rao Bahadur M. C.
Ramakrishna, Mr. V.
Ranga Iyer, Mr. C. S.
Ran, Mr. P. R.
Sarma, Mr. R. S.
Schuster, The Honourable Sir George.
Scott, Mr. J. Ramsay.
Shah Nawaz, Mian Muhammad.
Sher Muhammad Khan Gakhar,
Captain.
Singh, Kumar Gunteshwar Prasad.
Singh, Mr. Pradymna Prasad.
Sinha, Rai Bahadur Madan Mohan.
Sloan, Mr. T.
Smith, Mr. R.
Studd, Mr. E.
Suhrawardy, Sir Abdullah-al-Mamun.
Talib Mehdi Khan, Nawab Major
Malik.
Tottenham, Mr. G. R. F.
Yakub, Sir Muhammad.
Yamin Khan, Mr. Muhammad

The motion was negatived.

Mr. President (The Honourable Sir Shanmukham Chetty):
The question is:

"That to sub-clause (1) of clause 4 of the Bill, the following proviso be added:

"Provided that it shall be competent to the Governor General in Council at any time to purchase the shares at par."

The motion was negatived.

Mr. President (The Honourable Sir Shanmukham Chetty):
The next amendment is No. 25 standing in the name of Mr. Bhuput Sing. A similar amendment stands in the name of Mr. S. C. Mitra, No. 29. Will the Honourable Member move it himself or allow Mr. S. C. Mitra to move it?

Mr. K. C. Neogy: May I point out that amendment No. 32 also raises the same issue, only it tries to fix a much lower limit. I should like to know whether it would not be proper to have this amendment moved first. If that were defeated, we might come to the others.

Mr. President (The Honourable Sir Shanmukham Chetty):
No, when there are different maxima fixed in different amendments, the House cannot have the same discussion over and over again by having different motions. So what the Chair proposes to do is to allow that amendment also to be moved simultaneously and have a discussion together. Amendment No. 25, standing in the name of Mr. Bhuput Sing, is in an amplified form. He wants to add a new sub-clause (1-A), but the Chair thought that amendment No. 29, standing in the name of Mr. S. C. Mitra, was simpler "that no person shall be allowed to have more than 200 shares". So, if Mr. Bhuput Sing will not move his amendment, Mr. Mitra can move his amendment when it is reached.

Mr. M. Maswood Ahmad: Sir, I beg to move:

"That in sub-clause (2) of clause 4 of the Bill, after the word 'Madras' the words 'Karachi, Lahore, Cawnpore, Patna' be inserted."

By accepting this amendment the clause will read:

"Separate registers of shareholders shall be maintained at Bombay, Calcutta, Delhi, Madras, Karachi, Lahore, Cawnpore, Patna and Rangoon and a separate issue of shares shall be made in each of the areas served by those registers, as defined in the First Schedule and shares shall be transferable from one register to another."

I admit that on the present occasion specially the soldiers are fighting without a commander, rather the commander is leading the opposite army. They are doing this, because our commanders think that it is in the interests of the country; but we do not agree with them. At the same time, the other trouble for us is that many of the Members are not here.

The Honourable Sir George Schuster: I rise to a point of order—I do not know whether it is strictly a point of order—perhaps it is rather a point of convenience. I put it to you, Sir, that it is extremely difficult for the House to consider the amendment of my Honourable friend without knowing what consequential amendment he intends to propose. By increasing the number of share registers, it will be necessary entirely to alter the scheme for the distribution of shares and I would submit to you that

[Sir George Schuster.]

the House cannot really consider this amendment without knowing what connected scheme for the distribution of shares among the various registers goes with it.

Mr. President (The Honourable Sir Shanmukham Chetty): What does the Honourable Member suggest?

The Honourable Sir George Schuster: If my Honourable friend would inform us what consequential amendments he proposes, then I suggest that the House will have a knowledge of what the implications of these amendments are.

Mr. Gaya Prasad Singh: That will depend upon whether this amendment is accepted by the House or not.

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair will allow the Honourable Member to move his amendment first and allow an opportunity to this House whether they would like to have additional circles. If the House gives a verdict in the affirmative, then it would be for the House to decide how the shares are to be distributed among the new circles and what consequential amendments are to be made.

Mr. M. Maswood Ahmad: It is only for that reason I did not give notice of consequential amendments which I have with me here. If the House does not agree with my amendment, it would be useless to trouble the Assembly office with a long list of amendments and get them printed, because it would show in the list as many as 200 amendments in the name of poor Maswood Ahmad. It is only to avoid waste of time and trouble that I did not give notice of consequential amendments. The Honourable the Finance Member ought to thank me for having saved him the trouble of reading all these amendments, but, instead of that, he comes down upon me, and criticises me.

I will give now certain details to enable the House whether to accept my proposal or not. The main idea underlying my amendment is this. At present there are two seats on the registers in Bombay, Delhi and Calcutta and one for Madras and Rangoon. I think, so far as the Calcutta register is concerned, it will not be possible for any Indian to go to the Directorate. The same will be the case with Rangoon and Madras. Further, Sir, minor provinces like Assam and Bihar and Orissa will always be under the shadow of the major province of Calcutta. There are so many big European firms in Calcutta that they would purchase many shares and the minor provinces will never get a seat on the Directorate. There are only two seats. At the same time I am afraid that Bihar and Orissa and Assam will not get any seat on the local board as well and the same will be the case with the Central Provinces with Bombay.

The other point is, if you want really to help the rural interests, the only course open is to create new registers for Bihar and Orissa and the Central Provinces combined and one register for the United Provinces at Cawnpore and another register for Lahore. In that case only, the agricultural interests will come in. Otherwise, in the registers of Calcutta, Bombay and Madras, only those persons who have interests in commerce and those who are bankers and millowners and millionaires will be returned.

It will also be seen that there are 145 lakhs of rupees for the Calcutta register which means about 29 thousand voters. I think it will really be very difficult for an Indian even to think of standing as a candidate for the local board or for the directorship. It is very difficult to control 29,000 votes and the result will be, as has always happened in the past, a few people will get proxies and get to the Directorate, and they will go on continuing without any change. By dividing this register, as suggested by me, there will be some chance for others to come in. At the same time I have no hesitation in saying that, if Government think that, by creating these registers, the elected element will be more in the Central Board and if the Government want to raise proportionately the nominated element, I have no objection to that. They may increase the nominated element as well if they want to.

Much has been said during the general discussion that some thing should be done for the agriculturists in India who form 95 per cent. of the population. Only five per cent in this country have got interests in commerce.

I say, further, that one more argument will be advanced that there is no currency office or something like that at Patna and so, in the minutes of dissent, I find that some members have proposed that Karachi, Lahore and Cawnpore should have one register, but they have not mentioned Patna. I think there is no harm if new registers are created, because what are these registers for? These registers are only for selling shares and the shareholders will have only to elect members of the local board, and, after that, the whole business of the shareholders finishes. So there is absolutely no harm and no necessity of any particular office at Patna or at any place for having this register. Because if this register is created, my idea is that the Central Provinces, Orissa and Bihar should have one register, one register should be given to the United Provinces. In the same way, to Karachi one register, to Lahore one register for the Punjab. The Delhi register will serve Delhi proper and the centrally administered areas and the States in Rajputana and Central India. The Lahore register will have in that case Kashmir, Punjab and a few States, and the Karachi register will have Sindh, Baluchistan, and the North-West Frontier Province with some States. In this way it will be all right, and I appeal to my friends here who represent U. P. and other provinces that they must consider this question in a calm way and that they must consider whether this amendment is beneficial for their provinces or not. I think Government are not much interested in it and so I hope my friends in the United India and Disunited India Party will utilise their votes in a proper way and will support me.

Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in sub-clause (2) of clause 4 of the Bill, after the word 'Madras' the words 'Karachi, Lahore, Cawnpore, Patna' be inserted."

The Chair has to ask whether Mr. Azhar Ali and Mr. Mitra would like to move the next amendment standing in their name, because the House can then have a comprehensive discussion on both.

Mr. S. O. Mitra: I find that I made a mistake and my purpose was to have three more offices and not registers. So I do not like to move my amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): Then the discussion will proceed on Mr. Maswood Ahmad's amendment.

Lala Rameshwar Prasad Bagla (Cities of the United Provinces: Non-Muhammadian Urban): Sir, I have great pleasure in warmly supporting the amendment of my Honourable friend. The representatives of the interests of Sind and the Punjab in this House will, I have no doubt, look after the claims of their own provinces. I am only concerned at the present moment with regard to the interests of the province to which I belong.

You will remember, Sir, that during the consideration stage of the Bill I expressed surprise that Cawnpore should have been left out from the list of places where registers are to be kept. This House will realise that Cawnpore is the industrial capital of the United Provinces. In commercial importance it is second only to Calcutta or Bombay. I do not think I shall be justified in taking up the time of this Honourable House by trying to tell how very important Cawnpore is from the point of view of trade and commerce. I have heard it said that none of our representatives, either in the London Committee or in the Joint Select Committee, pressed the claim of Cawnpore in this respect. This only shows that those who pretend to look after our interests signally failed in the discharge of their duties to my province. As one, representing in this House the cities of the United Provinces, as a spokesman of the investing classes and as a member of both the Upper India and U. P. Chambers of Commerce in the United Provinces, I shall be failing in my duty if I did not draw the attention of the Honourable the Finance Member to this great omission and, I am sure, that I have only got to invite his attention to this omission to rectify the mistake.

Mr. Muhammad Yamin Khan: Sir, my Honourable friend, Mr. Maswood Ahmad, appealed to the Members from the U. P. to support this case, because it concerns that province as he has moved that Cawnpore may also be added to the list for having a separate register. My friend said that Government were not very much concerned in this matter. I say that Government may be interested or not, but as long as it will serve the purpose of the province, no Member from the U. P. will fail to support a question for the benefit of his own province. Members are not pleased with whether Government are pleased or not. The question now is, what do we gain by having a separate register for Cawnpore? The object of the register is that shares may be sold and, wherever it is kept from there, they will send certain Directors on the Central Board. The whole scheme lays down that there will be eight elected Directors and I will ask my friend, Mr. Bagla, how he thinks the U. P. will gain by having a separate register for Cawnpore. If we found that the U. P. would gain by having a separate register, certainly we would give our whole-hearted support. But, out of eight Directors, by having a separate register, what share does he think will come to the U. P.? Out of these eight, two are being given to the Bombay area, two to the Calcutta area and two have been given to the Delhi area. And he wants two to be divided into three shares, one the Delhi area, one the Lahore area and the Cawnpore area.

Mr. M. Maswood Ahmad: Then there will be 11 Directors.

Mr. Muhammad Yamin Khan: You may have 11 or 11 hundred; but at present the scheme is for eight Directors. Two are given to the Delhi area and this whole area is going to be divided into three parts—Delhi, Lahore and Cawnpore. But two Directors cannot be divided into three areas. There may be people in the U. P. who are well versed in banking and it may happen that the two Directors may come from the U. P. for the whole of Delhi as it stands at present, because I think, at the time of election, there will be no question of the provinces. It will be all one province, Delhi, U. P., Punjab, Kashmir, North-West Frontier, the Punjab States, Gwalior, etc. All this big area is going to send two people only. If we can find two capable persons who can control the Bank, that will be a far wider area to send from these two people rather than narrow down that each area may send only one man. I do not think that it will do any good either to the U. P. or the Punjab to have only one Director each: it is much better if you find two capable persons in a province to send them both: there should be no provincial question in this matter, because no province is gaining and it will be for the good of the people . . .

Mr. C. S. Ranga Iyer: It is not a provincial matter: it is an agricultural question.

Mr. President (The Honourable Sir Shanmukham Chetty): **Mr. Lalchand Navalrai.**

Mr. Lalchand Navalrai (Sind: Non-Muhammadan Rural): Sir, this morning

Mr. Muhammad Yamin Khan: Sir, I was merely giving way to Mr. Ranga Iyer

Mr. Lalchand Navalrai: He has lost his chance, Sir.

Mr. C. S. Ranga Iyer: When the Honourable gentleman said: "Do not make it a provincial question" I rose to interrupt him and say that it was not a provincial question, and wondered why he did not view it from the agricultural point of view, the United Provinces being one of the most agricultural of the Indian provinces and he being an advocate of the agriculturists' cause. Probably, Sir, I was responsible by making my voice low, almost inaudible and, therefore, I apologise for the mistake.

Mr. Muhammad Yamin Khan: My friend is perfectly right when he says that the agricultural provinces must have a good voice, and I see occasions might arise sometimes when we may send both the Directors from the United Provinces and the Punjab may be willing to vote for both coming from the United Provinces or *vice versa*: But I do not see how we can do that by simply keeping a separate register. Of course it would be a totally different thing if my friend had asked for a branch to be opened at Cawnpore; there was some kind of justification; and actually there was a difference of opinion when this was discussed

Mr. Lalchand Navalrai: Will you support Karachi? I have asked for a branch.

Mr. Muhammad Yamin Khan: We had a motion that Cawnpore should have a branch, and that point was thoroughly discussed in the Joint Select Committee: some supported the case of Cawnpore and Karachi and Lahore; but later on, it was found that branches would not be necessary as long as

[Mr. Muhammad Yamin Khan.]

the Imperial Bank was willing to give all the facilities which a separate branch of the Reserve Bank would give. Under the scheme of the Bill, the Imperial Bank is going to transact the business of the Reserve Bank in places other than the five where the Reserve Bank will have branches and the Imperial Bank is going to give the same facilities. It was on that understanding that this matter was dropped as far as Cawnpore, Lahore and Karachi were concerned. It was found that, by opening branches in those places, unnecessary expenditure would be incurred, because the Imperial Bank has branches in those places already and, if the Reserve Bank also opened a branch, it would be duplicating the expenditure. Under the present scheme, the expenditure will be merely nominal . . .

Mr. S. C. Mitra: Whom is the Honourable Member addressing?

Mr. Muhammad Yamin Khan: I am addressing the House: the House is also on this side as the Honourable Member is on that side: Members are sitting on this side as well.

The point is that this is no gain to the United Provinces: neither is there any loss to my province to have the business transacted through the branch of the Imperial Bank, provided the same facilities are granted to the people at Cawnpore. As far as the register is concerned, I do not see that any object will be gained. My friend may say that we can have 11 Directors; but that position will never arise unless we alter the material points when the question of elected and nominated Directors comes up: that has to be balanced. If you alter the number of elected Members, it at once brings up the issue of the number of nominated Directors, because it is not in the interests of anybody to make more nominations than is necessary. It is a question of giving representation to interests which may not come in through election. For instance, my friend, Mr. Maswood Ahmad, himself says that from Calcutta it is likely that no Indian may come and that two Europeans may come: Whom will they represent? The commercial classes; and if from Bombay also we have two to represent the commercial classes, and if Cawnpore also sends one, because it is a place of commercial concerns, then we will merely go on increasing the commercial people on the Directorate; naturally the agriculturists will want their number also to be increased: and if they do not come in through election, they can come in only through nomination. Therefore, it is necessary to balance the Directorate properly that the elected and nominated number should be curtailed. With great difficulty we came to this conclusion, that when there are eight elected people, there should be four nominated people. If this proportion is disturbed in one way, it will have to be disturbed in the other; and I do not think this minor amendment, which may look very innocent, but which really involves so many questions and so many amendments in the Bill and in the scheme, should be accepted. If you accept it, it will be absolutely impossible to handle the Bill in the short time which is at the disposal of this House. I do not also think that any useful purpose can be served: except perhaps that a register should be kept for Patna which really the Committee had forgotten to discuss. They discussed Cawnpore, Lahore and Karachi, but not Patna, because, simultaneously with Patna, there will arise the question of Nagpur, Peshawar, Cuttack and so many other places which the House will find very difficult to satisfy the representatives of the different provinces in such an easy manner as my friend, Mr. Maswood Ahmad, thinks. Therefore, I oppose this amendment.

Mr. Lalchand Navarai: Sir, it pained me not a little this morning when my friend, Mr. Vidya Sagar Pandya, in a despondent mood said that he would not move his amendments. Sir, he has considerable experience of banking and has collected a large number of facts and figures, and I think that he would have contributed a vast amount of information and support to several of the amendments that have been sent in not only by him but by other Members also. I would, therefore, advise my friend to be a sportsman in a matter like this. Sir, if my friend considers the position in which we are placed in this House, I feel sure, that he would not be disappointed. He has experience of this House, and he knows that success on the popular side depends often on the will and wish, and, many a time, on the whims of the Government. Therefore, being in that situation, no one should feel disappointed or say that he will go on a strike or boycott the whole thing. Here we are trying merely to persuade the Government to accept our amendments to improve the measure, to place before them some of the facts collected by us. We are trying to ventilate our grievances, and let the country know where we are and what we are doing. Therefore, we should not like children feel disappointed if we do not achieve a particular object. We must carry on our agitation, we must voice our grievances, and in this sense I hope my friend will reconsider his position and move all his amendments, and, in the end, even if he loses all his amendments, he should not feel sore over it.

Dr. Ziauddin Ahmad: Notices of these amendments were given by other Honourable Members also.

Mr. Lalchand Navarai: I have every respect for them as well, because they may have also got facts and figures, but Mr. Pandya has had very considerable experience in banking, and we would have got a great deal of information from him.

Now, Sir, coming to the point before the House, when I find the name of Karachi in the amendment, the House must know that I must get up to speak, not merely because I see the name of Karachi there, but because I see the importance of Karachi as a port of international importance, and, therefore, I have got up to support this motion that a register of shareholders be allotted to Karachi as well. I have also sent in an amendment which, of course, will come in its own turn, and in that amendment I have advocated that there should be a branch of the Reserve Bank at Karachi. We have already got an Issue Office at Karachi, and, therefore, it is very necessary that there should be a branch of the Reserve Bank there instead of our being left to depend upon the Imperial Bank, but I shall refer to that aspect of the question later. Now, with regard to the question of the register, I must say that even the staunch supporter of the Government in regard to this Reserve Bank, I mean my friend, Mr. Yamin Khan, has also proved my case. He said that if his friends from Cawnpore had sent in amendments to the effect that there should be a branch of the Reserve Bank at Cawnpore, he would have seen his way to support this amendment. I have put in an amendment for a branch being established at Karachi, and, on that reasoning, my friend must not oppose a register being given to Karachi, I urge the claims of Karachi, and I hope he will go with me in the lobby and not with the Government in this matter so far as Karachi is concerned. Sir, Karachi is now a very important port. It has international trade, and in that sense it has far superior and stronger claims for this register than other places which have been mentioned.

An Honourable Member: Aeroplanes too are going there.

Mr. Lalchand Navalrai: Yes, aeroplanes too are coming from Karachi to Cawnpore and other places. I do not grudge your giving registers to all the places; on the contrary, I am in agreement with this amendment that a register should be allotted to the places mentioned in the amendment, because even those places have their own claims and peculiarities; but so far as Karachi is concerned, I submit, it should be recognised by this House and also by the Government that Karachi is a port of international trade like Bombay and Calcutta, and, therefore, Karachi should have the same privilege. The main point is whether Karachi would absorb the number of shares that would be allotted to it. I submit, Sir, Karachi can give a guarantee for it. Karachi people are commercial people, and if we are given two Directors jointly with Bombay, Bombay knows how to treat Karachi in a step-motherly manner. Bombay will have two Directors, and there is no certainty at all whether Karachi will get one of them. If there is any guarantee from my friends in Bombay, and especially from my friend, Sir Cowasji Jehangir . . .

An Honourable Member: What about Mr. Mody?

Mr. Lalchand Navalrai: Mr. Mody will join hands with him always I believe.

Mr. B. V. Jadhav (Bombay Central Division: Non-Muhammadan Rural): May I point out that Sindhi merchants dominate the money market in Bombay, and that they dominate still more in Karachi?

Mr. Lalchand Navalrai: That proves that they should have a separate register. If there is a register in Bombay with the number they have fixed, I am sure, Bombay people will not allow to have any Director for Karachi. Instances of that kind are not wanting; every one may be selfish, but I think Bombay is no exception. Therefore, I submit, there is a strong case for maintaining a separate register for Karachi, and, if Government will not give a separate register to Karachi, it will be doing Karachi a sheer injustice. Sir, I support this amendment.

The Honourable Sir George Schuster: Sir, this is an amendment which in a sense concerns Government less than some of those which we have already discussed. By that I mean that no essential principle of this Bill is affected by it. Naturally, one has a great deal of sympathy with the local patriotism of those who favour a motion of this kind. But, Sir, I must return to the point which I took with you when I intervened in the discussion and point out that it is really impossible to consider an amendment of this kind without knowing what the consequential reactions will be on the whole scheme which is embodied in our Bill . . .

Sir Cowasji Jehangir: May I ask the Honourable Member whether it is not a fact that representation on the Local Board will entirely depend upon the voting strength of the particular area? That is to say, if Karachi has a very large voting strength and acquires a very large number of shares, then Karachi will naturally be able to force a Director on to the Local Board.

The Honourable Sir George Schuster: I think that is so, but I presume that the intention in the mind of my friend who moved this amendment is to convert a chance into a certainty. If Karachi has a register to itself with, let us say, 40 lakhs of shares, then with 40 lakhs shares they will be able to make a certainty of having one Director; but if these 40 lakhs shares are included in the Bombay register, it might not give them a certainty.

Sir, as I was saying, I do feel that it is impossible to consider a proposal of this kind without seeing all its reactions. It will entirely upset the scheme contained in the Bill as regards the distribution of shares and as regards the appointment of Directors and the size of the Directorate. My Honourable friend, who moved his amendment, made it quite clear that he contemplated increasing the number of elected Directors. There is a great deal to be said on both those points, and yet we cannot discuss them until we know what consequential amendments will be brought in.

Mr. M. Maswood Ahmad: If we leave these consequential amendments to you, will you accept this? I think even then you will not accept this amendment.

The Honourable Sir George Schuster: That is a responsibility which I cannot possibly take. What I had in mind was that if this House saw what the consequences were, then we should get a much more informed vote than we can at present. We are asked really to take a leap in the dark. My Honourable friend described himself when he moved his amendment as "poor Maswood". I suggest that he has been extremely ingenious in this matter, and he has hoped to get the House to accept this amendment without knowing what it means, and, having accepted it, he will be able to distribute the shares and the Directors as it suits him. The scheme which is contained in the Bill was produced after a very great deal of discussion. In formulating a scheme of this kind, it is quite impossible to please everybody, and one must be satisfied with a compromise. This scheme has stood the test of examination by a Sub-Committee in London, and, again, the test of examination by ~~another Sub-Committee~~ of our own Joint Select Committee, though the special Sub-Committee which we set up ~~was~~ mainly concerned with the actual distribution of the shares. It does, I think, represent the greatest possible measure of agreement, and, therefore, much as I sympathise with those who want to see a greater certainty of representation for their own districts, I must, on behalf of Government, express unwillingness to allow a scheme which has attained a great measure of agreement to be upset at this late stage. That, Sir, is the line which I am bound to take, and I venture to believe that if the House wanted to re-open the whole question, and if they were to sit and discuss this matter for three or four weeks, they would at the end of the time probably arrive at the present scheme as the one which commanded at least the greatest measure of agreement. That, Sir, is our position. As I have said, no essential principle is involved. It is a matter which rests very largely with this House, but, until I see the scheme, I must take the line of opposing any amendment which upsets the agreement which has already been reached.

Mr. President (The Honourable Sir Shanmukham Chetty):
The question is:

"That in sub-clause (2) of clause 4 of the Bill, after the word 'Madras' the words '4 P. M. 'Karachi, Lahore, Cawnpore, Patna' be inserted."

The Assembly divided:

AYES—12.

Badi-uz-Zaman, Maulvi.
Bagla, Lala Rameshwar Prasad.
Brij Kishore, Rai Bahadur Lala.
Ismail Khan, Haji Chaudhury Muhammad.
Lahiri Chaudhury, Mr. D. K.
Lalchand Navalrai, Mr.

Maswood Ahmad, Mr. M.
Raghubir Singh, Rai Bahadur Kunwar.
Sarma, Mr. R. S.
Shafee Daoodi, Maulvi Muhammad.
Singh, Kumar Gupteshwar Prasad
Ziauddin Ahmad, Dr.

NOES—50.

Abdul Aziz, Khan Bahadur Mian.
Ahmad Nawaz Khan, Major Nawab.
Allah Baksh Khan Tiwana, Khan Banadur Malik.
Ayangar, Mr. V. K. A. Aravamudha.
Bajpai, Mr. G. S.
Bhore, The Honourable Sir Joseph.
Bower, Mr. E. H. M.
Chatarji, Mr. J. M.
Clow, Mr. A. G.
Cox, Mr. A. R.
Dalal, Dr. R. D.
Das, Mr. B.
Dash, Mr. A. J.
DeSouza, Dr. F. X.
Dillon, Mr. W.
Dutt, Mr. Amar Nath.
Fazal Haq Piracha, Khan Sahib Shaikh.
Graham, Sir Lancelot.
Grantham, Mr. S. G.
Haig, The Honourable Sir Harry.
Hezlett, Mr. J.
Hudson, Sir Leslie.
Ishwarsingji, Nawab Naharsingji.
Ismail Ali Khan, Kunwar Hajee.
Jawahar Singh, Sardar Bahadur Sardar

Jehangir, Sir Cowasji.
Lee, Mr. D. J. N.
Mackenzie, Mr. R. T. H.
Macmillan, Mr. A. M.
Metcalfe, Mr. H. A. F.
Millar, Mr. E. S.
Milligan, Mr. J. A.
Mitter, The Honourable Sir Brojendra.
Morgan, Mr. G.
Mujumdar, Sardar G. N.
Mukharjee, Rai Bahadur S. C.
Noyce The Honourable Sir Frank.
Rafuddin Ahmad, Khan Bahadur Maulvi.
Raisman, Mr. A.
Ramakrishna, Mr. V.
Sher Muhammad Khan Gakhar, Captain.
Singh, Mr. Pradyumna Prashad.
Sinha, Rai Bahadur Madan Mohan.
Sloan, Mr. T.
Smith, Mr. B.
Studd, Mr. E.
Suhrawardy, Sir Abdulla-al-Māmūn.
Tottenham, Mr. G. R. F.
Yakub, Sir Muhammad.
Yamin Khan, Mr. Muhammad.

The motion was negatived.

Mr. President (The Honourable Sir Shanmukham Chetty): The next amendment, No. 28, is in the name of Mr. Thampan.

Mr. K. P. Thampan (West Coast and Nilgiris: Non-Muhammadian Rural): Sir, before I move my amendment, I wish to state that amendment Nos. 28 and 30 ought to be taken together. My intention was to move them together, as both of them refer to the same sub-clause, but they have been put separately in the agenda. If you will permit me, Sir, I will move them together.

I move:

"That in sub-clause (2) of clause 4 of the Bill, after the words 'and shares shall' the word 'not', and that, at the end, the words 'save in accordance with conditions to be prescribed by the Governor General in Council' be inserted."

Sub-clause (2) of clause 4 reads thus:

"Separate registers of shareholders shall be maintained at Bombay, Calcutta, Delhi, Madras and Rangoon, and a separate issue of shares shall be made in each of the areas served by those registers, as defined in the First Schedule, and shares shall be transferable from one register to another."

Sir, you will see that my object in moving this amendment is not to negative the provision, but I intend only to restrict the transfer of shares. In my speech at the first reading of this Bill at Simla, I referred to the unsatisfactory character of this provision and I said that if a large number of shares was transferred from one region to another, the very purpose for which the regional scheme was embodied in this Bill would be frustrated. To avoid such a contingency, I thought certain restrictions might be imposed. Sir, I do not propose to specify under what conditions the transfers may be effected. I will leave it to the Governor General in Council who could frame the necessary rules under the rule making power. I shall, by way of example, refer only to one aspect of the question. Supposing, in Madras, out of the 70 lakhs of rupees worth of shares, 90 per cent. are taken by the capitalists of Bombay or Calcutta, it will mean that there will be only ten per cent. left and the election of Directors and other matters contemplated in the Bill will have to be done by the ten per cent. remaining in that region.

[At this stage, Mr. President (The Honourable Sir Shanmukham Chetty) vacated the Chair which was then occupied by Mr. Deputy President (Mr. Abdul Matin Chaudhury).]

That will reduce the whole thing to an absurdity. There are several other aspects of the question like this to which I do not wish to refer now and take up our time. I commend this amendment for the acceptance of the House.

Mr. Deputy President (Mr. Abdul Matin Chaudhury): Amendment moved:

"That in sub-clause (2) of clause 4 of the Bill, after the words 'and shares shall' the word 'not', and that, at the end, the words 'save in accordance with conditions to be prescribed by the Governor General in Council' be inserted."

The Honourable Sir George Schuster: Sir, my Honourable friend's proposal would upset or rather weaken one of the essential features of the present plan, which is to create as free as possible a market in the shares of the Reserve Bank. It is for that reason that it has been provided that shares shall be freely transferable from one register to another. My Honourable friend seeks to make this transferability subject to the directions to be issued by the Governor General in Council,—thereby incidentally bringing the total "score" of the Governor General in Council from 92 to 93—but by adding that, I venture to say, that he would completely upset this plan of free marketability, because the market would not know how the Governor General in Council is going to exercise this discretion. Under our scheme, if a share transaction has to go through, the broker in charge of the transaction will know that the shares which he gets from anybody now are good delivery to anybody else, wherever he lives, and, therefore, there will be a free market in the shares; but if on each occasion it is necessary to inquire: "Is A—the purchaser—entitled to acquire these particular shares which B—the seller—has available for

[Sir George Schuster.]

sale?" it will entirely interfere with the working of this machinery. I do not think my Honourable friend has really made very clear what major purpose is going to be served by his amendment. On that ground, namely, that it upsets what we regard as one of the main features of the present scheme—the creation of a free market in these shares, we must oppose this amendment.

Mr. Deputy President (Mr. Abdul Matin Chaudhury): The question is:

"That in sub-clause (2) of clause 4 of the Bill, after the words 'and shares shall' the word 'not', and that, at the end, the words 'save in accordance with conditions to be prescribed by the Governor General in Council' be inserted."

The motion was negatived.

Mr. S. C. Mitra: Sir, I move:

"That in sub-clause (2) of clause 4 of the Bill after the words 'transferable from one register to another', the words 'and no person shall be allowed to have more than two hundred shares' be added."

If Honourable Members will refer to clause 4, sub-clause (2) of the Bill and my amendment, they will find that my purpose is to fix the maximum number of shares that an individual may be permitted to hold. On referring to the list of amendments, Honourable Members will find that Mr. Bhuput Sing gave notice of an amendment similar to this. Mr. Bhuput Sing, in his amendment, quoted the exact wording of the Bill that Sir Basil Blackett wanted to introduce in 1928, but he was not permitted by the Honourable the President to do so. My amendment and Mr. Bhuput Sing's amendment are really the same in effect. There is also a notice of an amendment by Mr. Sitakanta Mahapatra (Amendment No. 32) in which he fixes the number of shares at fifty. Now, because I shall have no opportunity to speak on these amendments, I would like to anticipate them and I must admit that Mr. Mahapatra's amendment is very logical.

Under the present Bill, no shareholder can exercise more than ten votes; that is, anybody, who has purchased Rs. 5,000 worth of shares, can vote fully to the extent of his shares. Although my amendment, if accepted, will permit an individual to hold shares up to Rs. 20,000, yet the remaining Rs. 15,000 of his shares will be sterilised. But I prefer my own motion, because I should like to pay due consideration to what the Honourable the Finance Member said, namely, that there should be as free a market as possible for these shares. But, as regards this free market, I do not like to extend that contention too far, because these shares should not be looked upon from the standpoint of free marketing alone. The question possesses other significance also. So our contention should not be concentrated on the marketability of these shares. What we are afraid of is that in some of these provinces, at least in the smaller areas, some big shareholders may purchase a very large number of shares and thus control the voting as regards the Directorate. It may be said that under the present scheme, during the first allotment, no individual will

have the chance to purchase a very large number of shares because, in the first instance, the vote will go to anybody who has subscribed over Rs. 500, but I am thinking of the future. We are all aware of the poor condition of most of the people in India, and, if a large premium is paid for these shares, say Rs. 25 or Rs. 30 per share, then it is very likely that a large number of persons, who will be allotted shares in the first instance, will be tempted to sell out their shares and they will largely go into the hands of big capitalists in the big cities. Now, if a big capitalist can control a few lakhs worth of shares, though he cannot for himself get more than ten votes, by narrowing the number of shares, certainly he can command a very large influence. So I am anxious that there should be some provision in this Statute itself by which that contingency may be avoided. We are very much afraid that, by some sort of *benami* transaction, some of the big capitalists may manage to have a large number of shares. (Mr. B. V. Jadhav: "And votes.") Well, the votes are limited to ten. It may not be possible to provide against all those contingencies; but, so far as it lies in our power, we should see that this Reserve Bank of India may not be run in the interests of a very few capitalists, and, so far as practicable, we should provide in the Statute itself that a large number of shares may not be concentrated in a few hands. With these few words, I move my amendment.

Mr. Deputy President (Mr. Abdul Matin Chaudhury): Amendment moved:

"That in sub-clause (2) of clause 4 of the Bill after the words 'transferable from one holder to another', the words 'and no person shall be allowed to have more than two hundred shares' be added."

Mr. Sitakanta Mahapatra (Orissa Division: Non-Muhammadan): Sir, I beg to move:

"That to sub-clause (2) of clause 4 of the Bill, the following be added at the end: 'and no person shall be allowed to hold more than fifty shares at any time'."

Sir, let me admit frankly here by telling you now that I have gone through and considered the sections of the Bill under discussion from the point of view of an average Indian, of whom 91 per cent. of the Indian population is composed—I mean the Indian peasant. In placing my humble suggestion before the House, I am embarrassed with the thought that Honourable Members of the House—great commercial magnates, wealthy banking geniuses, scions of the Indian landed aristocracy—may not like my idea, that Honourable Members of the House who have lived in cities and big towns may not appreciate my position, that high Indian Government officials may not be able to follow my view point as they are mostly drawn from urban classes. But I have one strength in me, and that is that Honourable Members belonging to the British nation—both the trading community and the public servants—although they are not fully acquainted with the difficulties of the peasant, are, I know, anxious to help him and will do their best to understand and accommodate me, if I am reasonable, and I hope to be so. To those who do not so agree with me, I have only to say that we have listened to the sympathies expressed for this class during the general debate and after and, if this amendment does not meet with the approval of my Indian capitalist friends, then it would only mean that their sympathy was confined to lips only.

[Mr. Sitakanta Mahapatra.]

My amendment has only got two ways of judging it—one, whether a maximum limit to the number for holding of shares at any time should be fixed, and next, if so, what number should be the most reasonable one. Let us consider the first point.

Sir, in spite of great opposition to the shareholder scheme in this House, it has been passed and we are now committed to it. But let the Honourable the Finance Member understand where the shoe pinches us. We are only afraid that in the shareholder scheme, as is laid before us, the rights of the poorer classes may not be sufficiently safeguarded—that it may be a dumping ground for the rich. We look upon the Reserve Bank of India as a national institution. Every Indian must do like that. There are 35 crores of Indians in India. But there are only five lakhs of shares. The main argument that may be advanced against limitation of shares is that sufficient applications for shares may not be forthcoming. But this is a wrong calculation. Supposing all the shares are to be held by the Indians, are there not five lakhs of sufficiently patriotic Indians in seven lakhs of Indian villages, besides so many cities and towns who can invest Rs. 100 each in this Bank? Are there not one lakh Indians in the whole of the Indian Empire who are patriotic enough to invest Rs. 500 each? Are there not 10,000 Indians in this vast Continent who can afford to invest Rs. 5,000 each? I hope, the Honourable Sir George Schuster does not think like that. He certainly does not entertain such a low impression about Indians. There is none here who underrates the patriotism of the Indian people. But, leaving aside the question of patriotism, is not a share in the Reserve Bank the safest investment in India? Where in India can there be obtained such supreme security for investment? Where else can one get such safe return of six per cent. sure? You expect that Indians will deposit crores of their money here without any interest, but you do not expect that they will invest five crores at six per cent. safe return? Preposterous idea.

There is another aspect of the question. Every body feels and there is no gainsaying the fact that the Reserve Bank will be a parallel Government of India—that it will hold under its thumb the financial destiny of India. Every one, big or small, high or low, rich or poor, will rush to acquire a chance of having a voice in it. A time can safely be visualised in the near future when these Legislatures will pale into insignificance before the Reserve Bank, and rich men will spend fortunes in order to get into its administration. Shareholders, who will have votes, excuse me if I think like that, if they wish, will earn thousands for recording their votes. Men who will have control over some voters will earn fabulous sums. We all, who have been through elections, have an idea of it. I believe sincerely, that fancy prices will be paid for purchasing shares. Yet, does any body think that there will be dearth of applications for shares? I shall not be surprised if shares shall be over-subscribed by several hundred times. Feudatory Chiefs of India, some of whom are reputed to be the richest in the world, Rajahs, Maharajas, Talukdars, Zamindars, merchant princes, bankers, corporate bodies will rush in thousands to purchase shares in many and various ways. There are over one lakh primary co-operative societies only in India. Can you supply five shares to each of them? If so, where shall the Europeans or the city and town interests go?

Sir, I have sponsored this motion only because I am sincerely afraid that the peasantry—the real Indian nation will not have any chance at all. This Bill, from the very start, has been conceived and produced by rich

men keeping the interests of rich men in view only. The Joint Select Committee consulted big banking interests alone for advice. So far as my information goes, subject to correction, in the Select Committee, Mr. Bhuput Sing put this question definitely to Sir Osborne Smith and he agreed to the principle of fixing a limit; but, then, when the Honourable the Finance Member again repeated the question, Sir Osborne changed his view and other bankers agreed with him. My only fear is that shares will be subscribed in the five big cities within a few hours and the rest will go unheeded. Government loans are always successful. Sir, if the Honourable the Finance Member thinks deeply, which, I am sure, he does, he shall not have the least doubt that there will be a huge rush for shares.

Then, let us consider what are the disadvantages of not fixing a maximum. If a maximum is not fixed, a time will come, sooner or later, rather sooner than later, when all the shares will pass into the hands of a few multi-millionaires. Fancy prices will be offered for shares for the above-mentioned considerations. It will be a sport of the plutocrat. Poorer people shall never be able to resist the temptation of ready money much beyond their expectation and a quick return for investment and will part with their shares. This scarcity, this depression and all round want will give further impetus to sale of shares. Of course, there is nothing much to fear in the first allotment of shares. But, in a year or two, after the starting of the Reserve Bank, as the sun rises in the east, shares will be concentrated in the hands of a few rich families, and the result will be that the Bank will be run entirely and exclusively by them and for them. Their nominees will be in the local boards and they will be in the Central Board.

[At this stage, Mr. President (The Honourable Sir Shanmukham Chetty) resumed the Chair.]

And when so, what will be the consequence? The agriculturist, the peasant, the primary producer, who tills the ground, will be exploited to the utmost and reduced to serfdom. Sir, for Heaven's sake, do not be a party to it. Let shares be distributed as widely and as evenly as possible. Let the peasant feel that the Reserve Bank of India does not belong to the rich, the landlord, the banker, the intelligentia. It belongs to him. Let him be inspired with the idea that he is not the hewer of wood and drawer of water in his own land. He too can control the fortunes of India. Let him have a say in his own house.

Sir, there are, if such be the case, very potent disadvantages to the Government too. Supposing for argument's sake only, the Federation of the Indian Chamber of Commerce, in collaboration with other Indian commercial organisations, take it into their head to break the Reserve Bank constitution, thereby striking at the vital point of the Indian Constitution itself, say as a gesture of sympathy for some political organisation in the country, this unlimited scope of purchasing shares in the open market will afford them unlimited scope for working out their scheme. They may purchase most of the shares in open competition in the market, thus sterilising thousands of votes belonging to the poorer classes and reign supreme. They will have their nominees only in the local boards and the Central Board and will thus play ducks and drakes with anything under the control of the Reserve Bank and make it unworkable. Is there not such a possibility? Let me give a few illustrations as an argument only. There is no province in India where Marwaris are not very prominently connected with the local trade. If only one trade organisation in India;

[Mr. Sitakanta Mahapatra.]

say, that belonging to our famous Marwari brothers, wants to perform such a feat, they can purchase the majority of the shares in a week's time throughout India and keep the great national organisation completely under their feet, and shake the foundations of the Government of India itself. But if there be shares evenly and widely distributed throughout India with this one restriction of limitation, such an eventuality will be unthinkable.

Then, again, if there be no limit to one's holding of shares and if the Imperial Bank alone or, combined with a few other powerful exchange banks, intend to guide the policy of the Reserve Bank to their own advantage, is that a remote possibility? Can they not easily work it out? In such a contingency as this what have you got to save the Reserve Bank? Nothing at all. Supposing Messrs. Tata and Sons embark on a scheme of purchasing shares worth two and a half crores of the Reserve Bank either between themselves or through their innumerable employees and make India their dumping ground for all time to come, have you got any thing to prevent such a catastrophe? So, I say, that it is absolutely necessary that there should be a limit to holding of shares or the Reserve Bank will function under the gravest risks.

Sir, Sir Basil Blackett was perhaps one of the wisest statesmen when, in the unfortunate 1928 Bill, he conceived the idea of incorporating a limitation clause. It was most unfortunate for India that the 1928 Bill could not be introduced. If that Bill is introduced today, I for one would prefer that to this Bill under discussion. But the London Committee took a very unwise step when they recommended against such a limitation. Their arguments for taking such a step are most unconvincing. They say that it is unnecessary, firstly, because they have imposed a limitation on voting power. Absurd on the face of it. Can the so-called restriction on the voting power exercise any check on the above-mentioned contingency? Never, Sir. I say so-called, because there is no limitation to one's representing shareholders as a proxy. Cannot millionaires, who have deposited huge sums of money in the Imperial Bank at three per cent. or 2½ per cent. interest, take it out and invest it here without caring for votes? Secondly, they say that such a restriction would place undesirable obstacles in the way of free marketing of shares. This is exactly the very thing which should be stopped by all means for the benefit of poor men. Sir, when I read this very line, let me confess, I grew suspicious that rich and big financiers assembled in London had a motive in them that they want to speculate with the fortunes of India's poor men. So I gave notice of this amendment. Are not we going to make the Reserve Bank a national institution? Are there not many restrictions imposed on the activities of the Reserve Bank against free speculation which are open to other banks? Why should then its shares be speculated so much in the open market? Of course there will still be scope for speculation up to a certain limit. But, then, in a national concern, why should there be so much unhampered speculative transaction? The Honourable Rai Bahadur Mehrotra, a member of the Joint Select Committee, has put the case of limitation very finely in his minute of dissent which I am tempted to quote *verbatim* :

"There ought to be a limit of Rs. 25,000 the maximum holding of shares by a single shareholder. In case it is not done the capitalists who have tons of money and are now prepared to invest at about 4 per cent. will purchase shares for large amounts. They will thus sterilize votes and deprive the agriculturists and middle classes of

having any hand in the Bank. This will defeat the very object and the Bank will soon pass into the hands of capitalists. Moreover they will encourage and induce market manipulation so as to enable them to reap large profits by premiums thereby brought about."

Sir, I repeat, it is free marketing, in other words, speculation and manipulation which exactly I intend to stop to some extent by fixing a limit. Because, Sir, what I am afraid is that, taking advantage of free marketing, big financiers, leaders of stock exchange will so manipulate the value of shares that ultimately most of the shares will pass into the hands of rich men without even giving the poor man his legitimate due. Then we have to consider what should be the limit. We know five shares give one vote and 10 votes to one person is the maximum. Then, if one person holds 50 shares, he exercises 10 votes. But, if he holds more than 50 shares, he does not get any benefit out of it as regards voting power. Thereby he unnecessarily sterilises some votes. Why should such sterilisation be permitted in a national institution? The Honourable the Finance Member told us yesterday in unmistakable words:

"The Reserve Bank is going to be an Indian national institution. It is not going to succeed if it is not to be an Indian national institution",

if I am quoting him correctly. Further, our endeavour ought to be to fix the maximum as low as possible, so that as many persons as possible may be directly interested in the Bank. We cannot go below 60 shares limit because of sub-clause (2) of clause 9. But is it not desirable that at least 10,000 persons and institutions in this vast country, consisting of 350 lakhs of men, seven lakhs of villages, millions of corporate bodies and innumerable cities and towns should be interested in the Bank? Is it not desirable that the chance of holding shares should not be confined to city and town people alone, but should penetrate into the rural areas also as much as possible? Has not the Finance Member said that the Bank is not going to succeed if it is not going to be a national institution?

Sir, some very distinguished countrymen of the Honourable the Finance Member are of opinion that the Indian mass is being exploited by the intelligentsia and so there is so much political agitation in the country. I hope, Sir George Schuster is also of the same opinion. I quite agree. But, then, what has he done for the Indian mass to throw off the influence of the intelligentsia? What educative opportunity has the Indian mass been given so that they may know themselves and their rights? Sir, the acute and prolonged depression, coupled with the hold that the Congress could secure on the masses, has opened the eyes of the Government and good sense has dawned upon them rather late. Provincial Governments everywhere are evincing great concern for the rural population. Better late than never. But, if it is so, let me tell the Honourable Sir George Schuster that this is an unique opportunity he has in hand when he, if he so cares, can take the mass into his confidence and let them have confidence in him. Confidence begets confidence. Distribute shares of the great national institution, if the Finance Member sincerely said that, as widely and as evenly as possible among the masses. Let them feel that it is not the intelligentsia who rule the country in conjunction with the Government. If they invest money in a concern—their savings for years—they will take a keen interest in the Bank and the Government as well. They will make it their point to see that the Bank and the Government are established and run as

[Mr. Sitakanta Mahapatra.]

soundly and as strongly as possible. Then they will not listen to the advice of the political agitators to break or weaken the Government. Do not compare the very meagre interest they take in the Legislatures with the interest that they will take in the Bank. So, open the doors of the Reserve Bank to them. They have staked nothing in the Legislatures. So, they are indifferent. But here they will invest money—their life's savings. Can they be indifferent? I hope, Sir George who is wise will not let this opportunity go.

With this, Sir, I appeal to the Honourable Members of the House, in the name of the peasant, to extend unto him the chance of having some share with them in running the Reserve Bank. Sir, I move. (Applause.)

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That to sub-clause (2) of clause 4 of the Bill, the following be added at the end: 'and no person shall be allowed to hold more than fifty shares at any time'."

These two amendments, one moved by Mr. Mitra and the other moved by Mr. Mahapatra, will be discussed together now.

Mr. Bhupat Sing: Sir, I beg to support the amendment of my Honourable friend, Mr. Mitra. Though I have got great sympathy with Mr. Mahapatra's amendment, I think, Mr. Mitra's amendment is more reasonable. As pointed out by Mr. Mitra, the same provision found a place in the 1928 Bill and I shall read a few lines from the notes on clauses in that Bill, which is as follows:

"In clause 4, sub-clauses (2), (3), etc., provide for a broad-based distribution of the share capital both at the time of the original allotment and subsequently and is intended to be a safeguard against the control of the Bank by sectional interests of any kind."

I lay stress on the words "control of the Bank by sectional interests of any kind". In 1928, it was thought fit by the Government of the day that there should be some provisions which should prevent the capitalists or any other section from having control through the majority of shares held by them, but now in 1933 Government do not think it fit that the same safeguards should be placed in the Statute. I cannot understand the reason which has made them change their outlook in that direction. The main principle of the Bill is that the share capital of the Bank should be distributed to the largest number of people and, with that object in view, the share which was originally fixed at Rs. 500 each was subsequently reduced by the Joint Committee to Rs. 100. But, by omitting such a provision that basic principle is negatived, because if the shares are held by the capitalists without limit, they may combine and may artificially raise the price of the shares in the open market and thereafter purchase the majority of shares. And we know from our experience in the share market that with the slightest rise in the share value of any joint stock company, shares of such companies come in large numbers to the market for sale. (Mr. B. V. Jadhav: "Not necessarily.") That is the general experience. Now, if the majority of shares are held by the big capitalists and, if they combine, they can manipulate currency and

credit and also the exchange policy of the Bank to suit their own convenience and thereby earn a good deal to the detriment of the country. There should not be any loophole in the constitution of the Bank by which such a thing may happen in future. I admit, as pointed out by the Finance Member, that the chance of such contingency is very remote, but still there is some chance by which such a thing may happen. There is one other point. The Finance Member said that there was a limitation of dividend to five or six per cent. But that is no reason why big capitalists should not come in for these shares. I shall read a few lines from "The Reserve Bank of India and the Money Market" by Mr. Dadachanji in which he says:

"An inquiry into the ownership of shares of many Central Banks of Europe will show that trustees of private trusts, rich families and big merchants form the largest holders of them."

So the question of dividend does not arise, because generally these merchants and big families invest in $3\frac{1}{4}$ per cent. Government paper and they will find it more convenient to invest in Reserve Bank shares, because it will yield about 5-6 per cent. dividend and are quite as good, if not better, like other Government securities.

Sir, a great deal has been said to free the Bank from political influence and every one wishes that the Bank should be free from any such political influence whether it comes from the Indians or the Britishers. Now, if there is no such provision, then a political party in India or in England may combine and try to get hold of the largest number of shares and thereby control the Directorate and through them may influence the daily working of the Bank.

A great deal has also been said in this House and outside about the agricultural interests which will surely suffer if the capitalists are given a chance to combine and to hold the largest number of shares. Sir, for all these reasons, I ask, why should Government object to insert such a clause which aims to make the Bank really free from political influence and from the influence of big capitalists as well. Everybody knows that the interests of the capitalists are against the interests of agriculturists and, though I may be a capitalist, still I certainly must fight for the agricultural interest. With these words, I support the amendment.

Mr. B. Sitaramaraju: Sir, I rise to support the view that there should be a maximum fixed with regard to a person's right to hold a number of shares. In doing so, I should like to point out that the one merit made much of of a Shareholders Bank is that the shares would be as broad-based as possible. When in the Select Committee the shares were lowered from Rs. 500 to Rs. 100, we all thought that it was taking a step in the right direction. But, unfortunately, in the Select Committee what was given to these shareholders with the right hand was taken away with the left hand. In other words, though the shares were reduced from Rs. 500 to Rs. 100, the benefit did not accrue from the point of view of the matter being a broadbased one, because they do not have the vote. It is only people who have five shares that are given the vote. The practical effect, therefore, is that, so far as these Rs. 100 shares are concerned, and so far as the lowering of the basis from Rs. 500 to Rs. 100 is concerned, it is practically nugatory. Therefore, I consider that notwithstanding the fact that you are going to limit the powers of voting, still

[Mr. B. Sitaramaraju.]

if you do not put a limitation on the power a member can have in holding shares, I do not think you will be doing the proper thing even to carry out your own ideas into effect. The reason is this. That limitation on that power to exercise more votes because he holds more shares is, no doubt, desirable; but if you put a maximum he can hold, you will enable a large number of people to become shareholders and thereby exercise that privilege on a broad basis without being cornered. But if, on the other hand, you do not put any maximum, the result would be that most of these shares would be locked up. The fact that there is a limitation put on the voting strength alone will not be sufficient and will not affect the main objection which I have tried to point out to the House. One possible argument that can be advanced on behalf of Government is this. They may say that they have under this plan so arranged that it will not be made possible for any particular person to acquire a large number of shares; and they may also say that the plan is so well arranged that, when it is actually worked out, it will be seen that there will be no preponderating influence from any particular area or gain by any particular person. That is an argument which, I think, may be possibly advanced by Government. But when it is remembered that there is no limitation placed on the right of transference of that vote from one person to another, it will be seen that it is quite possible for large capitalist interests to secure these shares by the loophole provided in this Bill, and thus defeat the object of securing a broad base. For these reasons, I consider that it is necessary to put a limit on the number of shares one can have if there is any reality in the proposition that it is going to be, under the shareholders plan, a broad based national institution. Of the two amendments before the House, the one moved by Mr. Mitra should be supported by the House, because he has got one great authority behind him, and that is, Sir Basil Blackett's proposals wherein this maximum was provided. The then spokesman of the Government was in favour of putting a maximum and that maximum is the maximum which my friend, Mr. Mitra, now proposes. Therefore, I consider, the amendment of Mr. Mitra with the authority of Sir Basil Blackett, what was wrongly called the 1928 Bill, should be accepted: for there is no such Bill in reality as the 1928 Bill—there was only one Bill then and that was the 1927 Bill. When Sir Basil Blackett, on his return from London in 1928, after consultation with the London interests, wanted to introduce a Bill, your honoured predecessor, Sir, did not allow that Bill to be introduced. Therefore, there is no such Bill as a Bill of 1928: but there certainly were certain proposals in 1928 which presumably had the consent of the London interests, because it was soon after Sir Basil Blackett's return to India that he presented certain proposals wherein it was provided that the maximum should be 200 shares. Therefore, I feel that Mr. Mitra is on strong ground, with the support of Sir Basil Blackett's proposals, and I hope, Honourable Members will give due consideration to that.

Diwan Bahadur A. Ramaswami Mudaliar (Madras City: Non-Muhammadan Urban): Sir, the Honourable the Finance Member will remember that, at various stages in the discussion of this question, apprehensions have been expressed by some Members that the concentration of a large number of shares in any particular shareholder may be detrimental to the proper working of the shareholders system. Both at London and in

the Joint Select Committee, I understand people were of opinion that the possible concentration of a large amount of share capital may be utilised in so diverting the voting power that it may not be properly exercised. There is, of course, a mathematical way by which a person could go on buying shares and, therefore, reduce the possible number of shareholders who can have voting power—I do not lay much stress on that, because if the large amounts, that have been distributed over the various registers, are taken into consideration, it will be seen that that is not a very vivid possibility. But there is another possibility which has been given expression to, and this I should like to place before this House. A shareholder can obtain shares to the extent of a lakh of rupees and, then, at the time when a Director has to be chosen or when a particular local board has to be elected, he can so distribute the shares that he has got among a certain number of people who are within his control and under his management, so to say, that he can increase the voting power of himself by having a certain number of nominees of his own as shareholders. That, I understand, is the real fear behind this suggestion. I do not think this is a matter of very vital principle—the Honourable the Finance Member will admit that it does not in any way hamper the constitution of the Reserve Bank or its smooth working. It is a principle which, to some extent, had been accepted by Sir Basil Plackett in the proposal that he made in 1928. The only two possible objections, that I can understand, from the Government are these: in the first place, if we restricted it only to Rs. 20,000—and I am now speaking of Mr. Mitra's amendment, because I think it is the more reasonable amendment—for each shareholder, we may not find it possible to distribute the whole of the share capital. Unless we get big share allotments of Rs. 50,000 or a lakh, it may not be possible to have the entire distribution carried out. But the amount of interest that has been taken in this Reserve Bank and the amount of publicity that has been given and will continue to be given to the proceedings of this House must, I think, result in a large number of shareholders applying for shares, and I do not think that is going to prove a very difficult thing, so far as the Government are concerned. The second objection that may be levelled against it is that the market value of these shares may, to some extent, be diminished, that if you limit the holding of shares only to Rs. 20,000 to any individual, the chances of shares being marketed will, to that extent, be minimised. I think, while we frankly recognise that that may be so, we have to choose the lesser of the two evils; and I personally believe that, if by any means you can allay the apprehensions of those who feel that the shareholders system cannot work properly or will, to a certain extent, be diverted if a minimum limit is put and a maximum limit is not put, I think it will be advisable to choose the lesser of the two evils and meet that apprehension. I would, therefore, very earnestly appeal to the Finance Member to consider it from the point of view of meeting very just apprehensions on the one side and trying to allay those apprehensions so that that volume of public opinion, which is suspicious of the shareholders scheme, may, to this extent at least, be more prepared to adopt the scheme. It is from that point of view that I throw out that suggestion that it may be advisable for the Finance Member to accept the motion of my friend, Mr. Mitra.

Dr. Ziauddin Ahmad: Sir, the Government practically have accepted the principle underlying this motion. The principle is that a few persons

[Dr. Ziauddin Ahmad.]

should not be able to dominate the entire election, and that the Government themselves have proposed that one person should not be able to have more than ten votes. Now, all of us have on this side here got experience of election tactics; and there are two tactics in elections: one is to increase the number of your votes and the other is to diminish the number of the votes of your opponent. In this case, no doubt, by increasing his own votes he may not be able to exercise an indefinite number in his favour, because a limit of ten votes is imposed. But there exists a loophole, and a person can stop the election of his opponent by monopolising a large number of shares. The opponents will be handicapped, because the shares will not be available for them to purchase. Now, to look at it from a different point of view. The fact that a person who has an indefinite number of shares in his possession will have only 10 votes is really lowering the voting capacity of shareholders, because the voting capacity of one person is 10 shares and, so, if any one has got more than 10 shares, he is really blocking the voting capacity by an amount of wasted shares. Is it not right, therefore, for us to put a limit to the blocking capacity of these shareholders or are we to give it indefinitely and block it to any extent we please? My friends may say that it is a hypothetical case: I think it is not a hypothetical case and that these things will actually happen. As my Honourable friend, Diwan Bahadur Mudaliar, pointed out, it is quite likely that one man may purchase a large number of shares, first with the intention of blocking, and, then, at the time of the election, if he finds that his case is doubtful, he will distribute the shares to his own advantage and thus secure election. These are the tactics which are very often used in elections, and I fear that, unless you put down this maximum limit for a shareholder, the restriction that one person cannot have more than 10 votes will be nullified. The Government have admitted that they wanted to set up a national Bank and not a capitalist Bank; so I request them to consider seriously the essential condition of putting an upper limit to buying capacity. I hope that they will accept it.

The Assembly then adjourned till Eleven of the Clock on Thursday, the 7th December, 1933.